

REPORT AND VALUATION

IN RESPECT OF

26 COMMERCIAL ROAD

PORT TALBOT

SA13 1LG

Re: 26 Commercial Road, Port Talbot

1. INSTRUCTIONS

We are instructed by Mr. Paul Williams of Lloyds TSB Bank plc., Northgate House, The Kingsway, Cardiff, CF10 4LD to prepare a report and valuation in respect of the above mentioned property in respect of your client Mr. Lee Dunning/Nephesh Ltd, CVN reference number 52776.

We are informed that our opinion of value is required for loan security purposes.

We confirm that so far as we are aware no conflicts of interest, either personal or in relation to our firm exists and that Professional Indemnity Insurance of £1,000,000 on a per claim basis is available in respect of the service to be provided.

2. BASIS OF VALUATION

Our report and valuation is prepared in accordance with the Valuation Manual prepared and issued by The Royal Institution of Chartered Surveyors.

We are instructed to provide our opinion of the Market Value of the subject property. This has been carried out in accordance with the definitions contained within the Royal Institution of Chartered Surveyors Valuation Standards.

We were unable to inspect those parts of the property which were covered, unexposed or otherwise inaccessible.

We refer you to the appendix at the end of the report.

3. INSPECTION

The premises was inspected on Wednesday 9th September, 2009 by D. Jason G. Williams, Bsc (Hons), MRICS, who acted as an independent valuer.

Our valuation report reflects the condition and circumstances noted at the date of inspection and we assume that no material changes have occurred that may affect the opinions and value quoted within this report.

4. DESCRIPTION

The subject property comprises a two storey, middle of terrace shop with first floor storage/possible flat and rear garage/warehouse. The property was probably constructed circa 1910 and appears to be of traditional construction with main walls of solid brickwork and externally walls are a mixture of face brick and concrete tiles.

Windows are softwood single glazed with an aluminium single glazed frontage.

Ground floors are of solid construction. Upper floors are suspended timber construction.

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4. DESCRIPTION (CONTINUED)

There is also a large garage area to the rear which is of block/asbestos construction.

5. LOCATION

Situated in the Taibach district of Port Talbot with its limited range of local amenities. The Port Talbot town centre is approximately 0.5 of a mile distant and the M4 motorway is also close by.

The property is situated in a parade of similar styled units which comprise hair salon, adult shop, barbers and supermarket. The property is also situated opposite the Taibach Rugby/Football Club. In the parade of shops opposite there are several empty units.

The property is situated in an area of past mining activity and a written report on mine workings in the vicinity should be obtained from the relevant authorities. Our valuation assumes that this does not reveal the property to be at risk of movement from mining.

6. ACCOMMODATION

The property offers the following accommodation which is briefly described as follows:-

Ground Floor

Main Shop Area	approximately 26 metres or thereabouts of Zone A accommodation and 2 square metres of Zone B accommodation.
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There is also further accommodation to the rear which is presently being used for storage and this comprises approximately 67 square metres or thereabouts.

First Floor

There is approximately 70 square metres of usable accommodation to the first floor (excluding landing etc).

Please note that there is a separate access to the first floor and this could be used as a flat subject to the necessary local authority consents.

Outside:

There is rear workshop/garage of approximately 107 square metres or thereabouts. This would have the opportunity of being let separately.

7. SERVICES

We understand that the property has the benefit of mains water, electricity and drainage. There is no gas or heating at the property.

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8. TENURE

We are informed that the property is of freehold tenure and assume that good title can be shown which is free from any unusual or onerous restrictions, encumbrances or outgoings.

9. LOCAL TAXATION

We are unable to ascertain the Rateable Value/Council Tax Band for this property.

10. EASEMENTS AND RIGHTS OF WAY

There is a rear lane access leading to the garage/workshop. The valuation assumes that a right of way exists and that there are no onerous restrictions or liabilities and conveyancers to confirm.

11. CONDITION

We were not instructed to carry out a structural survey and we have not done so. We have not inspected parts of the property which were covered, unexposed or otherwise inaccessible and therefore cannot report that they are free from rot, beetle or other defects not referred to herein.

During our inspection our access to the majority of the property was extremely difficult due to the enormous amount of stock being held.

The property was in a generally unmodernised condition with the original mortar walls and lath and plaster ceilings.

The property did, however appear serviceable for its current use. Please note however that the roof to the rear workshop is of corrugated asbestos sheeting and specialist advice should be sought before handling this material since creating dust is a recognised hazard.

12. TAXATION

Our valuation does not take into account any tax liability including Value Added Tax which might be involved in the disposal. The valuation figure is on the net of Value Added Tax basis. The tax status and decision of the vendor or purchaser for VAT purposes may influence values, either for capital or rental purposes.

13. TOWN AND COUNTRY PLANNING

Informal enquiries with the planning authority reveal that the property has planning permission for its present use and accords with the present planning policy for the area.

14. DISABILITY DISCRIMINATION ACT

For the purpose of this report, we have assumed that, unless indicated to the contrary in this report, the property complies with the Disability Discrimination Act 1995.

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15. ASBESTOS

Please see comments made under item 11 – ‘Condition’ above.

16. ENVIRONMENTAL ASPECTS

We are unaware of the content of any Environmental Audit or other Environmental Investigations or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. Based upon our visual inspection on site we are of the opinion that no contaminative or potential contaminative uses have been carried out at the property, which might reduce the values now reported. However, we reserve the right to review our valuation in the event of such matters becoming available.

17. ROAD CHARGES

Informal enquiries with the highway authority reveal that the frontage road is made up and adopted and therefore maintainable at the public expense.

18. STATUTORY OBLIGATIONS

For the purpose of this report, we assume that the property complies with current fire regulations, building regulations controls, employment regulations, defective premises and health and safety legislation.

19. GENERAL VALUATION CONSIDERATIONS

We understand that the subject shop and storage/garage at the rear is let to your applicant's mother who is presently trading as 'Jenny's Den Fancy Dress Shop'. We have been informed that this is a three year lease commencing 3rd September 2009. We have been informed that the rent is paid monthly in advance and terms are on a full repairing and insuring basis. There are break clauses on the first and second anniversaries of the initial lease subject to three months notice. Please note that we have not seen the lease ourselves and conveyancers to confirm full details and refer any matter back to ourselves as necessary.

The rent is apparently £9,600 (Nine Thousand Six Hundred Pounds) per annum, which based upon Zone A rents of £100 (One Hundred Pounds) per square metre would appear high. However, zoning such units which are out of town/small type parade rarely provides an accurate valuation figure. We therefore believe that the shop with the first floor should have a rental value in the region of £120 (One Hundred and Twenty Pounds) per week purely due to its size.

To the garage/workshop at the rear then this should readily let separately for circa £3,500 (Three Thousand Five Hundred Pounds) per annum. This would then indicate a rental value in the region of £9,500 (Nine Thousand Five Hundred Pounds) per annum in line with the market rent.

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19. GENERAL VALUATION CONSIDERATIONS (CONTINUED)

However, we must reiterate that in order to achieve this rental figure we would normally expect the shop and first floor to be let separately from the unit at the rear.

If we were to capitalise the rental income of £9,600 per annum at the appropriate yield (11%) 9 years purchase, this would provide a valuation figure below what we believe to be the market value.

We therefore believe that the first floor could be converted into a flat since there is already a separate access, subject to the necessary local authority consents. When completed to a satisfactory standard it should have a market value in the region of £60,000 (Sixty Thousand Pounds), but we have made an allowance for the necessary works, indicating a present value to this part of the building of £40,000 (Forty Thousand Pounds).

The ground floor on its own would have a market value in the region of £45,000 (Forty Five Thousand Pounds) and the unit to the rear an approximate value of £35,000 (Thirty Five Thousand Pounds).

This would indicate a total capital value in the region of £120,000 (One Hundred and Twenty Thousand Pounds). However, this figure would only be achievable if the rear was sold off separately from the main building. An allowance of 10% should therefore be made if all units are to be sold as one, indicating a market value in present condition in the region of £110,000 (One Hundred and Ten Thousand Pounds).

Property prices do now appear to have stabilised, but the future trend of property prices will depend upon the state of the UK and world economies, interest rates and available credit. This is something which the Bank should take into account when making its lending decision.

As far as we are aware the property is not in an area prone to flooding.

The property is confirmed as providing a suitable security for Bank lending purposes.

20. VALUATION

1. Market Value

We are of the opinion that the market value of the freehold interest in the subject property in its current condition and in accordance with the information supplied to us and contained herein is fairly represented in the sum of:-

£110,000 (One Hundred and Ten Thousand Pounds)

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20. VALUATION (CONTINUED)

2. Market Value with a Six Month Marketing Period

We are of the opinion that the market value of the freehold interest in the subject property in its current condition with a six month marketing period and in accordance with the information supplied to us and contained herein is fairly represented in the sum of:-

£95,000 (Ninety Five Thousand Pounds)

3. Reinstatement Cost Assessment

We are of the opinion that the current reinstatement cost of the property for insurance purposes is fairly represented in the sum of £325,000 (Three Hundred and Twenty Five Thousand Pounds).

GENERAL PROVISIONS

We have not had an opportunity of inspecting any original deeds or documents and our understanding of the legal interest is as told to us and summarised in this report. We have assumed that there are no onerous restrictions or outgoings on the use, enjoyment or disposal of the property which have not been notified to us and mentioned in this report.

In accordance with standard practice, it should be stated that this report is for the use only for the party to whom it is addressed and no responsibility is held to any other party for the whole or any part of its contents without prior written consent.

SIGNED:

D J G Williams MRICS

MALLARD (WALES) LTD., T/A CHARTERED SURVEYORS,
Avenue Villas,
2 & 4 Station Road,
Llanelli,
Carmarthenshire.
SA15 1AB

DATED: 15th September, 2009

Appendix 1

1. The property has been valued in accordance with the Practice Statements of the Valuation Manual prepared and issued by The Royal Institution of Chartered Surveyors in association with the Incorporated Society of Valuers and Auctioneers and the Institute of Revenues Rating and Valuation.
2. The preparation of the valuation has been undertaken by a Fellow or Professional Associate of The Royal Institution of Chartered Surveyors, qualified for such a valuation in accordance with Practice Statement 5 of the RICS Valuation Manual. In accordance with Practice Statement 5.3.3 of the above publication the valuation has been prepared by an Independent Valuer.
3. The property has been valued on the basis of Market Value in accordance with the Valuation manual prepared by the Royal Institution of Chartered Surveyors which is as follows:
 - (a) A willing seller;
 - (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the property marketing of the interest; for the agreement of the price and terms and for the completion of the sale;
 - (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuations;
 - (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and that both parties to the transaction had acted knowledgeably, prudently and without compulsion.
4. We have not carried out a survey nor have we inspected those parts of the property which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.
5. We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the property or has since been incorporated. For the purpose of this valuation we have assumed that none of the following or other deleterious materials were used in construction of subsequent alteration of the property.

High alumina cement concrete.

Blue and brown asbestos.

Calcium chloride additive.

Wood wool slabs as permanent shuttering.

We have assumed that further investigations would not disclose the presence of any such material in any adverse condition.

6. Neither the whole nor any part of this Report nor any reference thereto may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and context in which it may appear.
7. This Valuation Report is provided for the stated purpose(s) and for the sole use of the named client. It is confidential to the client and their professional advisers and the Valuer accepts no responsibility whatsoever to any other person.
8. Unless otherwise stated no formal enquiries have been made with the Local Authority in respect of Highway or Town Planning Restrictions. We have assumed that all contents, licenses and permissions including inter alia, fire certificates, enabling the property to be put to the uses ascertained at the date of our valuation have been obtained and that there are no outstanding works or conditions required by Lessors or Statutory, Local or other competent Authorities.
9. We have not inspected any Title Deeds and are assuming that good Title can be established and that Title is free of any onerous encumbrances, adverse or restrictive covenants, onerous wayleaves, easements or rights of way or other unfavourable rights of liabilities which would affect our opinion of value.
10. Unless otherwise stated no formal enquiries have been made with the Local Authority or the Client's legal advisers regarding any matters which would be revealed by a local search or replies to usual enquiries or by any Statutory Notice. In this regard we have assumed no onerous or unfavourable matters would be revealed.
11. All measurements, areas and dimensions are approximate.
12. Whilst we have had regard to the general effects of taxation on open market value, we have not taken into account any liability for tax which may arise on a disposal, whether actual or national and neither have we made any deductions for Capital Gains Tax, Value Added Tax or any other tax.
13. A copy of our complaints handling procedure is available on request.
14. The property was inspected on 9th September, 2009

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Photograph 1 Front elevation

Photograph 2 Street scene

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Photograph 3 Interior of Fancy Dress Shop