

**VALUATION REPORT
IN RESPECT OF**

**UNIT 4
FIFTH AVENUE
TAMESIDE PARK
DUKINFIELD
ASHTON-UNDER-LYNE
SK16 4PP**

Prepared by:

**Petty - Chartered Surveyors
Piccadilly House
49 Piccadilly
Manchester
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on

22 March 2012

PREMISES TO BE VALUED

All those premises known as, Unit 4, Fifth Avenue, Tameside Park, Dukinfield, Ashton-Under-Lyne, SK16 4PP

For the purpose of identification only, these are marked on the plan accompanying this report, and enclosed within Appendix 1.

CLIENT

Lloyds TSB Bank Plc, Emerson House, Alderley Road, Wilmslow, Cheshire, SK9 1AP

APPLICANT

Trustees of the SPM SSAS

COMPLIANCE AND DEPARTURES

In preparing this report we have adhered to the terms and conditions of the Bank. This may contain specific departures from the RICS Valuation Standards – Global and UK, 7th Edition.

PURPOSE AND BASIS OF VALUATION

We are instructed by Lloyds TSB Bank Plc to prepare valuations of the above premises for secured lending purposes on the following bases:

- (a) Market Value
- (b) Market Rent

Instruction Reference: 106374

A copy of the instruction is attached in Appendix A at the back of this report.

DATE OF INSPECTION

The premises were inspected on 21 March 2012 by Mr P J Kelly, FRICS.

EXECUTIVE SUMMARY

PROPERTY:	Unit 4 Fifth Avenue Tameside Park Dukinfield Ashton-Under-Lyne SK16 4PP
LOCATION:	Situated on a modern industrial estate close to the M60 and M67 Motorways east of Manchester.
DESCRIPTION:	A modern warehouse / industrial unit.
BASIS OF VALUE:	Market Value.
MARKET VALUE:	£1,575,000 (One million five hundred and seventy five thousand pounds)
STRENGTHS:	<ul style="list-style-type: none">• A detached modern purpose built unit.• Includes good quality office accommodation.• Clear floor space.• Let under the terms of a 25 year lease with 14 years unexpired.
WEAKNESSES:	<ul style="list-style-type: none">• Weak market conditions.• Current economic climate.• The rent is considered to be relatively full, without significant scope for increase in the foreseeable future.• Whilst it is within approximately 1 mile of the M60, this particular estate does not have direct motorway access.
OTHER PERTINENT ISSUES:	None apparent.

1. LOCATION

Immediate Vicinity

The property is situated on the Tameside Park Industrial Estate. This is a modern business park which was developed in phases from 1995 onwards and is approximately 0.6 miles to the south of Ashton-Under-Lyne Town Centre. The business park links to both Junction 23 of the M60 Motorway and Junction 1a of the M67 Motorway, which are approximately 2.2 miles and 1.8 miles away respectively.

Other occupiers on the estate include Ball & Young Ltd, ATS, Excel Polymers, CME Sanitary Systems and Key Plastics.

The property is approximately 7 miles east of Manchester City Centre.

There is ample on-site parking.

Wider Vicinity

Located in the North West of England, Ashton Under Lyne is situated about 6 miles each of Manchester within the borough of Tameside. The economy of the town revolves around the manufacturing and service sectors including banking, education, social services and retail. Nearby major roads include the M60, M67, M61, M62, M66 and A627(M). Manchester International Airport is located 14 miles to the south west of the town. Train services from Ashton run to London Kings Cross and London Euston. Major facilities include the Arcades Shopping Centre and Ladysmith Shopping Centre.

The general location is shown marked red on the plan accompanying this report and enclosed within Appendix 2.

2. DESCRIPTION AND ACCOMMODATION

The property comprises of a modern warehouse / industrial unit with ancillary office accommodation.

The property is of steel portal framed construction with profiled steel cladding to the walls and roof along with translucent roof lights. There are blockwork walls to approximately 2 metres. There are two storey offices to the front. There is a sealed concrete ground floor and a concrete block and beam upper floor to the offices.

The property includes parking for approximately 40 vehicles to the front, along with a perimeter fenced loading apron / yard to the rear.

The loading bay to the rear includes two roller shutter loading doors.

The specification of the offices includes suspended ceilings with inset fluorescent lights, carpeted floors, double glazed windows and gas fired central heating.

We would estimate the time of construction to be around 1998.

Photographs illustrating the premises are enclosed within Appendix 3.

The following areas have been measured on site to a gross internal basis in accordance with the RICS Code of Measuring Practice (as amended).

Ground Floor

Warehouse
Offices
Loading bay

Gross internal area: 3,538.0 sq m (38,080 sq ft)

2 roller shutter loading doors
Eaves height 6.5 metres
Overhead gas blown air heating units to the warehouse
Gas fired radiator central heating system to the offices
Male, female and disabled WC's

First Floor

Offices
WC's
Archives

Gross internal area 444.3 sq m (4,783 sq ft)

Total Areas: 3,982.0 sq m (42,863 sq ft)

Externally

Parking to the front
Perimeter fenced loading apron / yard to the rear

We have calculated the site area to be approximately 1.68 acres (0.68 hectares) or thereabouts.

The layout and specification of the property is suitable for its current use.

3. REPAIR AND CONDITION

We have not carried out a structural survey and have not inspected woodwork or other parts of the structure which are unexposed or inaccessible and we are therefore unable to report that any such parts are free from defect.

The property has been valued with due regard to its appropriate existing state of repair and condition, including reference to its age, nature of construction and functional obsolescence. We believe we have formed a general opinion of the state of repair of the property in so far as it is likely to affect our valuation.

It is assumed that normal periodic maintenance will be carried out to maintain the property in a state of repair fit for its present use.

It is further assumed that the condition of the property at the date of valuation is identical to that found at the date of our inspection.

We estimate the building has a remaining economic life of at least 25 years, provided that an adequate and suitable schedule of maintenance and repair is followed.

4. TENANCIES

The whole property is leased to Forbo Siegling Ltd on the following terms:

Term:	25 years from 28 September 1999
Current Rent:	£175,500 per annum
Repairs:	Full repairing and insuring terms
Rent Reviews:	At 5 yearly intervals – upward only

The rental of £175,500 per annum devalues to approximately £4.10 per sq ft which is considered to be relatively full in the current climate and we do not anticipate any significant prospect of rental growth in the foreseeable future.

5. TITLE

Whilst we have not been provided with any title documents we are verbally informed that the property is held freehold.

We have valued the property on the above basis.

We have assumed for the purposes of this valuation that good title can be shown and that the property is not subject to any unusual or especially onerous restrictions, rights of way, encumbrances or outgoings. We recommend that your solicitors be instructed to verify the position.

We have not had sight of your Solicitor's report on title. However, upon receipt of a copy, we would be pleased to separately confirm whether the content of that report has an impact on the advice provided within this appraisal report.

6. TOWN PLANNING

The local planning authority is Tameside Metropolitan Borough Council.

We have prepared this valuation report on the basis that the subject property has planning permission for general industrial and warehouse uses under Classes B2 and B8 of the Town & Country Planning (Use Classes) Order 2010.

The property is situated on an industrial estate zoned for employment uses.

Fifth Avenue is a made up highway maintainable at public expense.

As far as we are aware, the property is not adversely affected by local authority proposals or requirements, and in addition we have assumed that there are no outstanding statutory notices which would materially affect the value of the property within the foreseeable future.

We understand the property is not a Listed Building, nor is it situated within a Conservation Area.

The above information is sourced via verbal enquiries of the local planning and highway authorities and the information provided is assumed to be correct. No formal search has been instigated and if reassurance is required we recommend that verification be obtained from your solicitors that the position as stated in our report is correct.

7. STATUTORY OBLIGATIONS

The following information is for advisory purposes only and does not have any bearing on either the rental or capital values as reported unless stated.

Energy Performance Certificate

Energy Performance Certificates (EPC) must be produced for property transactions including the sale, rent or construction of buildings.

An Energy Performance Certificate is believed to be a requirement in this instance.

In undertaking this valuation we have not been provided with a copy of an Energy Performance Certificate for the premises/subject units. Our valuation assumes that an EPC would be provided on sale in the accordance with the aforementioned legislation and we would recommend that this is clarified by your legal advisors.

Fire Certificate

On 1 October 2006 the Regulatory Reform (Fire Safety) Order 2005 came into force. All existing fire legislation has been repealed (including the Fire Precautions Act 1971, Fire Precautions (Workplace) Regulations 1997/99 and the Management of Health and Safety in the Workplace Regulations 1999). As such, fire certificates are no longer issued and have been replaced with the requirement for a Fire Risk Assessment. The effect of this is that employers are now solely responsible for fire safety within their workplaces.

Offices, Shops and Railways Premises Act

This legislation, together with the Factories Act, and Health and Safety legislation concern themselves with the protection of workplace health, safety and welfare.

No issues were encountered which would adversely affect value.

Equality Act

The Equality Act supersedes a number of Acts made under Equality and Discrimination Legislation. One of the acts that it replaces is the Disability Discrimination Act which has specific reference to property and the workplace. The Equality Act seeks to ensure that any person having a premises dealing does not discriminate in terms of race, religion or ability, against a person in occupation or who wishes to acquire the premises in someway, be it the title or in letting the premises, or part of. The Act seeks to ensure that a disabled person is not precluded from acquiring premises by the owner/landlord not allowing physical changes to be made. Acquiring can be deemed to be acquisition, letting or working within.

The Act also places a duty of care on owners/landlords to ensure that common parts are compliant. Therefore building owners and occupiers should be aware that it may be necessary to undertake physical changes to a building in order to comply with this Act. Non-compliance could result in civil proceedings.

Petty Chartered Surveyors have not carried out or commissioned any investigations to determine whether or not the property complies with the requirements of this Act, nor have they made any allowance for the cost of compliance works.

Mortgage Regulation

The property is wholly commercial.

Asbestos

From 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 and 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

In carrying out and providing this report and valuation Petty Chartered Surveyors have not undertaken an ACM inspection and understand that the owner of the property has not obtained or commissioned a report from an ACM Inspector. Furthermore, Petty Chartered Surveyors have made no allowance for the potential liability.

Petty Chartered Surveyors can provide details of qualified ACM inspectors if required.

8. SERVICES

It is understood that all mains services are connected and that drainage is to public sewer. We have not made any enquiries of the respective service supply companies.

Further, we have not tested any of the drains or other services, and for the purpose of this valuation we have assumed that they are all operating satisfactorily and no allowances have been made for replacement or repair.

Heating to the warehouse areas is via gas fired overhead blown air heating units. There is a hot water gas fired central heating system to the offices.

9. LAND CONTAMINATION / ENVIRONMENTAL ISSUES

Flooding

We have made enquiries of the Environment Agency website which uses indicative Flood Plain maps to provide a general overview of areas of land in natural flood plains and therefore potentially at risk of flooding from rivers or sea. The maps use the best information currently available, based on historical flood records and geographical models and indicate where flooding from rivers, streams, water courses or the sea is possible.

Based on the postcode **SK16 4PP** the website indicates that the property falls outside an area that might be subject to extreme flood and therefore the chance of flooding each year from a river or the sea is 0.1% or less.

Contamination

We have not been instructed to commission a formal audit in respect of the subject site in relation to the potential presence of contamination. Our brief enquiries have provided no evidence that there is a significant risk of contamination affecting the property or neighbouring property which would affect our valuation.

We would stress that we have not carried out, nor are we qualified to carry out an Environmental Audit. Our comments are therefore merely a guide and should not be relied upon. If you require confirmation of the position, we strongly recommend that an initial Environmental Audit is carried out.

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

Radon Gas

According to information sourced from the Health Protection Agency website the property is not thought to be in an area at risk from Radon gas.

Mining

The subject property is not thought to be located in an area associated with mining activity.

We have not carried out or commissioned a site investigation or geographical or geophysical survey and we can give no assurance that the ground has sufficient load bearing strength to support either existing structures or any other structure which may be erected in the future. In addition, we cannot provide any assurance that there are no underground mineral or other workings beneath the site or in its vicinity.

10. RATEABLE VALUE

As at the date of this report, our enquiries of the Valuation Office website revealed that the property is assessed as follows:

Address: Unit 4, Fifth Avenue, Tameside Park, Dukinfield, Ashton-Under-Lyne, SK16 4PP
Description: Workshop, offices and premises
Rateable Value: £197,000

We have not investigated whether the property is subject to any transitional relief or phasing and are unable to comment in this respect.

11. MARKET COMMENTARY

The property comprises of a substantial, modern detached warehouse / industrial unit situated on a modern business park close to Ashton-Under-Lyne east of Manchester.

The property provides clear floor space with excellent eaves height and good loading facilities. In addition, it includes good quality office content.

The property is, as mentioned earlier, leased under the terms of a 25 year lease from 1999 and produces a current rental income of £175,500.

This particular business park does not have direct access onto the local motorway network and Junction 23 of the M60 is approximately 2.2 miles distant.

The property includes ample parking space and in addition, there is a perimeter fenced loading apron / yard to the rear.

UK Economy

In terms of market conditions generally, the Q4 2011 RICS UK Commercial Market Survey continues to show falling occupier demand and rising availability, which is leading to an increasingly negative rental outlook. Furthermore, Surveyors expect the market to stagnate as finance remains tight and tenants become increasingly cautious.

In particular, respondents are continuing to express concern regarding economic prospects at home and abroad. The mood among Surveyors deteriorated across all sectors of the commercial market in the final three months of the year, with retail and offices suffering the most. The net balances for both tenant demand and expected rents fell further into negative territory, while available space continues to rise.

Demand for industrial space was unchanged as was the supply of space, though rents are still expected to fall in Q1 2012. The supply pipeline for commercial stock looks weaker, as new development starts eased further for all sectors, most notably for retail units. On the investment side, enquiries for office space fell for the first time in a year and expectations for future transactions also declined. Capital value expectations fell at a faster rate for all sectors.

Significantly, London and the South no longer seem immune to the negativity felt elsewhere in the UK. Indeed, the Central London office market, which had remained buoyant over the first half of the year, saw occupier demand fall for the first time in 18 months. Alongside this, available space is now rising for the first time since Q3 2009, though rental expectations remain broadly stable.

Occupier demand declined for the second consecutive quarter at the headline level, though the pace of decline was largely unchanged; the net balance shifted from -12 to -13. Demand was particularly weak for office and retail space, while it remained broadly unchanged for industrial units.

Available floor space continued to rise in Q4, though the net balance was unmoved at +16. Availability for retail and office space rose at the fastest pace, while it stabilised for industrial units.

Rental expectations have plummeted this quarter, with the net balance sinking to the lowest reading since Q3 2009. Sentiment is most negative for office and retail rents, but rents are also expected to decline in the industrial sector.

Capital values are expected to continue falling into 2012, marking nearly 2 years of declines; the net balance fell further to -28. The greatest falls are anticipated for office and retail space. Investment enquiries edged down in Q4, with the net balance falling from -2 to -18.

The retail sector saw the greatest declines, though enquiries fell for all sectors. The value of incentive packages offered by landlords to secure a letting increased further in Q4, with the net balance ticking up to +25. Inducements are rising across all sectors of the market, but once again, most significantly for retail space.

12 VALUATION COMMENTARY

Yields

Evidence of yields achieved in respect of industrial properties across the northwest accompanies this report at Appendix 4.

In this particular instance, bearing in mind the location and nature of the property and the stature of the tenant, we have adopted an initial yield of 11%.

Comparables

We have considered market transactions of similar properties within the general area which include the following:

Corrie Way, Bredbury Business Park, Bredbury – a modern, detached industrial unit of 26,794 sq ft sold in January 2011 for £1,000,000 (£37.32 per sq ft), requiring some upgrading and refurbishment.

Unit 1, Fifth Avenue, Tameside Park, Dukinfield, Ashton-Under-Lyne – a neighbouring modern industrial unit of 53,983 sq ft leased for a term of 25 years from May 1997, rent review in May 2007 to £255,000 per annum (£4.73 per sq ft).

Unit 5-6, Enterprise Trading Estate, Lee Street, Manchester, M18 – a more basic workshop unit of 36,217 sq ft leased from October 2011 on a 10 year lease at £115,339 per annum (£3.18 per sq ft).

Unit 704-705, Kings Park, Mosley Road, Manchester, M17 – a detached modern industrial unit of 28,000 sq ft leased from January 2011 at £154,000 per annum on a 10 year lease (£5.50 per sq ft).

Unit 2, Sharston Green Business Park, Robeson Way, Sharston, Manchester, M22 – this is a modern detached warehouse unit of 26,551 sq ft leased on a 10 year lease from December 2010 at £154,200 per annum (£5.81 per sq ft).

Lankrow Business Park, Lankrow Way, Manchester, M30 – this is a modern detached warehouse unit of 50,632 sq ft leased on a 12 year lease from November 2010 at £249,000 per annum (£4.92 per sq ft).

Units 2-4, Roundthorn Industrial Estate, Caldey Road, Manchester, M23 – this is a single storey detached warehouse unit of 54,982 sq ft sold in November 2010 for £1,650,000 (£30 per sq ft).

Unit A, Westlink Industrial Estate, Chaddock Lane, Worsley, Manchester, M28 – this is an older warehouse unit of 30,413 sq ft leased from September 2010 on a 3 year lease at £91,239 per annum (£3 per sq ft).

Unit 5-7, Merlin Park, Barton Dock Road, Trafford Park, Manchester, M32 – this is a modern warehouse unit of 31,234 sq ft sold in May 2010 for £1,460,000 (£46.74 per sq ft).

Tenants and Covenant

We have made brief status enquiries of the tenants by sourcing a report which is attached at Appendix 5.

The Tenant, Forbo Siegling (UK) Ltd is a private limited company which incorporated in June 1969. It is a subsidiary of Forbo International SA.

The Tenant Company has not shown a pre-tax profit in the last four years reported.

Turnover for the year ended 31 December 2010 was £7,029,000 compared with £5,713,000 for 2009. The principal activity of the company is the manufacture and supply of power transmission, conveyor belting and ancillary products.

Methodology

The property valuation has been prepared using both the investment and comparison methods. Regard has been had toward the comparables and market conditions mentioned above and factors have been weighted accordingly

We stress the importance of the valuation date as recent experience has shown that property values may change quite significantly over a relatively short period of time.

This valuation has been prepared in a period of market uncertainty. The RICS Valuation Standards (GN1) requires that where valuation uncertainty could have a material effect on a valuation, the Valuer must draw this to the client's attention.

The current turmoil and uncertainty in the world's financial markets has resulted in commercial and residential properties selling in much reduced quantities with virtually no market activity in some areas. Many vendors are choosing not to go to the market until conditions improve. Many purchasers are choosing not to buy now in the expectation that market conditions will continue to deteriorate and they will be able to purchase more favourably in the future. Other transactions are failing due to the current difficulty in funding acquisitions.

This lack of market activity and the resulting lack of market evidence means that it is generally not possible to value with as high a degree of certainty as would be the case in a more stable market with a good level of market evidence.

Valuation Breakdown

Investment Method

Passing rent (Gross internal area 42,863 sq ft at £4.10 per sq ft)	=	£ 175,500 p.a.
Years purchase in perpetuity at 11%	x	<u>9.09</u>
Market Value	=	£1,595,454
		Say, £1,575,000

The passing rent of £175,500 per annum, devaluing to £4.10 per sq ft, is in line with rentals achieved in respect of other modern warehouse units within the Manchester area, however in current market conditions, it is relatively full and we do not anticipate any significant rental growth in the foreseeable future.

Comparison Approach

Gross internal area	42,863 sq ft at £36.75 per sq ft
Market Value	= £1,575,215
	Say, £1,575,000

Our capital value price of £36.75 per sq ft, is within market parameters based upon the capital value evidence mentioned earlier.

Sale Information

We understand the sale price to be £1,575,000.

If further information comes to light before the loan is finalised this must be disclosed to the valuer and the matter must be referred back to the valuer for further consideration.

13. MARKET RENT

Market Rent (as settled by the International Valuation Standards Council) is defined as:

“The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arms length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion”

Our opinion of the market rent assuming a 5 year full repairing and insuring lease is in the region of:

£175,500 per annum
(One hundred and seventy five thousand five hundred pounds)

14. MARKET VALUE

Market Value (as settled by the International Valuation Standards Council) is defined as:

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

The Market Values below have been prepared on the basis of an exchange of contracts on the date of valuation and that appropriate marketing has already taken place.

We are of the opinion that the property has the following Market Values:

1. Market Value subject to the existing occupiers / tenancies is in the region of:

£1,575,000
(One million five hundred and seventy five thousand pounds)

The appropriate marketing period for this particular property is considered to be 6 months.

2. Market Value assuming vacant possession is in the region of:

£1,575,000
(One million five hundred and seventy five thousand pounds)

The appropriate marketing period for this particular property is considered to be 6 months.

15. SUITABILITY OF SECURITY

We confirm that the property provides suitable security for loan purposes.

We consider the commercial strengths and weaknesses of the property in its current state, with the benefit of any planning consents existing at the date of valuation, to be as follows:

- Strengths:**
- A detached modern purpose built unit.
 - Includes good quality office accommodation.
 - Clear floor space.
 - Let under the terms of a 25 year lease with 14 years unexpired.

- Weaknesses:**
- Weak market conditions.

- Current economic climate.
- The rent is considered to be relatively full, without significant scope for increase in the foreseeable future.
- Whilst it is within approximately 1 mile of the M60, this particular estate does not have direct motorway access.

16. COSTS / GRANT AVAILABILITY

Our valuation is produced gross of purchaser's costs unless stated and no allowance has been made in our valuation for any vendor's costs or taxation (actual or notional)

Furthermore, no allowances have been made for any grants or incentives to which a purchaser may be entitled.

Our valuation is exclusive of VAT unless otherwise stated.

17. REINSTATEMENT COST

Our opinion of the reinstatement value of the property for insurance purposes is in the region of:

£2,500,000
(Two million five hundred thousand pounds)

No provision is included for trade fixtures and fittings, occupiers fit out items, Value Added Tax, nor for loss of rent, extra costs of working or other consequential loss, local authority requirements and party wall works. Further, the figure excludes any land remediation and special contaminated waste costs. However, the figure is inclusive of professional fees, demolition and site clearance.

Following the outcome of the legal case *Bartoline v Royal and Sun Alliance Insurance plc* and another 2006, our assessment will not include for cost liabilities arising from any environmental consequences, contamination or pollution. We recommend that you consult your Insurers in respect of any specialist cover required.

This figure is for guidance only and does not constitute a formal estimate which would normally be provided by a quantity surveyor or equivalent expert.

18. QUALIFICATION

P J Kelly is a Fellow of The Royal Institution of Chartered Surveyors, is registered under the RICS Valuer Registration Scheme, is experienced in commercial and residential property valuations, and is fully able to undertake a valuation of the property for secured lending purposes as an independent external valuer with no other current interest in the subject premises.