

Inspected on  
14<sup>th</sup> January 2020  
for Humber Ford & Stoke Prior  
Group Parish Council

## REPORT & VALUATION

on

### LAMB INN

STOKE PRIOR  
LEOMINSTER  
HEREFORDSHIRE  
HR6 0NB



Shepherds Meadow  
Eaton Bishop  
Hereford HR2 9UA

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1.1 (i) Our instructions were received from Humber Fiord & Stoke Prior Group Parish Council verbally on 20 October 2020 and are confirmed by despatch of this Valuation which can be treated as a draft for amendment if the client considers it does not comply with the issued instructions.

(ii) A copy of Sidney Phillips Standard Conditions of Engagement is attached as Appendix C. These Conditions apply unless amended by the instructions correspondence - except for 2.2 - Measurement procedure, which applies in all circumstances.

## 1.2 **DATE AND PURPOSE OF VALUATION**

The property is valued as at today's date as a possible purchase by a consortium of local residents and others who wish to acquire the premises.

## 1.3 **BASIS OF VALUATION**

1.3.1 The property is valued as a Fully Equipped Operational Entity having regard to Trading Potential

1.3.2 The bases of valuation is in accordance with the RICS Valuation definition, copy of which is at Appendix B, as follows:-

### (a) **Market Value**

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

### (b) **Market Value of the Property having regard to Trading Potential and subject to Special Assumptions ("Market Value - Closed)**

The market value of a property which is usually valued as a fully equipped operational entity, having regarding to trade potential but subject to the following special assumptions.

- (i) Vacant possession is provided on completion of all parts of the property occupied by the business.
- (ii) The business has been closed.
- (iii) A limited trade Inventory is included in the sale.
- (iv) Accounts or trading records would not be available to a prospective purchaser.
- (v) A sale is required within three months.
- (vii) The property has not been vandalised.

## 2. **THE PROPERTY**

Lamb Inn, Stoke Prior, Leominster, Herefordshire. HR6 0NB

## 3. **CLIENTS**

Humber Ford & Stoke Prior Group Parish Council

## 4. **DATE OF INSPECTION**

Tuesday 14 January 2020

Weather conditions were overcast and raining.

## 5. **VALUER & QUALIFICATIONS**

Robin Mence FAVLP

Under the supervision of:-

John Williams FRICS

Fellow of the Royal Institution of Chartered Surveyors

Member of the Association of Valuers of Licensed Property

## 6. **LOCATION & DESCRIPTION**

Stoke Prior is a pretty village located in north Herefordshire just off the A49 Leominster bypass three miles south east of the market town of Leominster. Hereford is some 11 miles distant due south.

Stoke Prior is a relatively small community with a population, according to the 2011 census, of 364. It is an attractive location with many traditional residential properties located around a small central area. The village has a primary school. The Lamb Inn is situated in the centre of the village with adequate car parking to the front, although this may need to be extended should the business be reopened and become successful.

The Lamb Inn is a closed detached freehold public house which is free of any trading tie. It has previously been fully licensed, but the Premises Licence has now lapsed. The main building is of three storey construction with a pitched slate roof and a more modern two-storey extension to the rear of brick with a pitched slate roof. There is a further single storey brick extension on the north western edge of the building, which has a flat felted roof and houses the catering kitchen. The trading areas remain fully furnished with the exception of the catering equipment which would need replacing at relatively small cost.

## 7. **LICENCE**

Historically the property has been fully licensed but the current owner allowed this to lapse at the beginning of 2019.

## 8. **ACCOMMODATION**

### **GROUND FLOOR**

Attractive and spacious MAIN BAR which remains fully furnished, able to seat up to 40 customers. Stone flagged and boarded floor together with a heavily beamed ceiling, three separate fireplaces (two with cast iron log burners). Fully equipped BAR SERVERY. Double glazed door access from the main trading area on the beer garden. CATERING KITCHEN with commercial non slip floor, but otherwise unfurnished. Well appointed modern LADIES & GENTLEMENS TOILETS. BASEMENT BEER CELLAR.

### **FIRST & SECOND FLOORS**

OWNERS ACCOMMODATION:-

KITCHEN having beamed ceiling, boarded floor and attractive rustic style fitted units. Spacious LOUNGE/DINING ROOM with boarded floor and fireplace. BATHROOM having tiled floor and walls and a modern suite of wash basin, WC, bidet, shower and free standing bath. BEDROOM 1 (double) with boarded floor and beamed ceiling. BEDROOM 2 (single/bunk room), BEDROOM 3 (double) with boarded floor.

**9. OUTSIDE & PARKING**

Tarmacadamed CAR PARK to the front with space for approximately 25 vehicles. Extensive lawned areas to the front, side and rear, the plot extending to almost exactly HALF AN ACRE.

**10. FIRE CERTIFICATE**

The premises will presumably be sold without the benefit of a Fire Risk Assessment.

**11. ENVIRONMENTAL HEALTH**

It would appear the premises conform with the requirements of Health & Safety legislation, however the kitchen is currently not equipped and will need re-appointing to an acceptable standard.

**12. LOCAL AUTHORITY**

Herefordshire Council  
Plough Lane  
Hereford. HR4 0LE  
Tel: 01432 260 000

Rateable Value £2,200

**13. SERVICES**

Mains electricity and water. Septic tank drainage. LPG gas tank.

**14. OVERALL CONDITION/PLANNING**

Mr & Mrs T Windmill, the current owners, acquired the business in July 2014 when it was in a very poor state of repair. Over the following two years they undertook a considerable refurbishment programme and made a substantial investment in improving the quality and fabric of the property. Despite the business not having traded since October 2017 it remains in excellent condition and requires little or no investment, other than the re-equipping of the catering kitchen. The quality of the owners accommodation is well above the normal standard of domestic facilities for a public house.

We have not carried out a Structural Survey, nor have we inspected the woodwork or other parts of the structure which are covered, unexposed or inaccessible, and we are therefore unable to report that any part of the property is free from defect.

**15. TOWN PLANNING**

Our report is issued strictly on the understanding that all work to the property and the use are fully authorised by valid planning consents in accordance with the Town & Country Planning Legislation. In the event that subsequently it appears that planning consent has not been obtained for any part or parts then this valuation should be referred back to us for reconsideration.

**16. FIXTURES & FITTINGS**

We have assumed that the trade furniture, fixtures, fittings and effects (with the exception of the obvious personal and private items) would be included in any sale and that all these are owned outright by the Vendors and not subject to any Lease, Hire Purchase or Third Party Charge. The wet and dry stock in trade, returnable containers, bar glassware, fuel and sundries are excluded.

**17. TENURE**

It is understood that the property is Freehold. This Appraisal is based on the assumption that it has a good freehold title and is not subject to any unusual or onerous restrictions, encumbrances or outgoings, is unaffected by any statutory notice, and that neither the property nor its use gives rise to a contravention of any statutory requirement.

**18. TRADE**

The business has been closed for over two years and whilst the current owners are not forthcoming regarding the previous levels of trade, for the purposes of these valuations the historic trade would almost be academic due to the length of the period of closure. We attach no goodwill to the business.

Historically this has been a tenanted house, originally forming part of the Whitbread Estate and, more recently, until 2013 owned by Admiral Taverns. As a tenanted house the Lamb Inn generally lacked the investment required to keep up with increased competition and sophistication of other outlets in the area. Ironically, this investment has now been made by the current owners and the property benefits from very good internal and external trade facilities.

**19. POTENTIAL**

The Lamb Inn is the only public house in Stoke Prior and is well positioned to attract destination trade from the surrounding area with ease of access from as far as Hereford. Furthermore, due to the size of the plot and subject to planning there may be potential to extend the property to provide letting accommodation facilities which are becoming increasingly important to public houses.

In capable hands this business should be able to achieve annual net sales of at least £200,000 probably split 60% food to 40% wet sales.

**20. PERIOD OF OCCUPATION**

Mr & Mrs Windmil have owned the business since July 2014. It was closed at that time and they reopened in December 2014 and subsequently closed again in October 2017.

**21. SUMMARY/GENERAL REMARKS**

Our records show that the present owners purchased these premises in July 2014 for £215,000. The Land Registry recorded the title under HW171878 and a copy is attached (Appendix 1).

Subsequent to their purchase the owners have considerably improved the property, but have chosen to close the same quoting "lack of viability". In their defence they are experienced operators, albeit their previous public houses were less reliant on catering. The pub's future success/viability will be dependent on attracting a good element of destination dining trade which would require the operator to be an experienced caterer and almost certainly producing a food offering superior to "pub grub". We believe it would not be a profitable business unless a purchaser/tenant is hands-on in the kitchen, and preferably the Head Chef.

When reaching our conclusion of the valuation considerable weight must be given to the fact there are no recent trading figures and the prospects of a purchaser obtaining a stand-alone mortgage are remote. Anyone acquiring these premises would need to either have the entire purchase price in cash (with a further element of capital to cover to re-equip the catering kitchen) or have a proven track record as a publican/restaurateur to stand any chance of obtaining a worthwhile level of commercial mortgage.

The following freehouses have been sold through our agency in recent times and are useful comparables in arriving at our valuations of the subject premises:-

**COMPARABLE EVIDENCE**

<b>PUBLIC HOUSE</b>	<b>PRICE</b>	<b>DATE OF SALE</b>
<b>Nelson Inn</b> Rock Green, Ludlow, Shropshire SY8 2DS	£165,000	September 2019 (Offer Accepted)
<b>Cross Inn</b> Eardisland, Leominster Herefordshire HR6 9BW	£175,000	December 2017
<b>Balance Inn</b> Luston, Leominster, Herefordshire HR6 0EB	£185,000	March 2016
<b>Bulls Head</b> Rodington, Shrewsbury, Shropshire SY4 4QS	£200,000	September 2018
<b>The Tilley Raven</b> Tilley Road, Wem, Shropshire SY4 5HE	£220,000	September 2019 (Under Offer)
<b>Bell Inn</b> Green Lane, Yarpole, Leominster, Herefordshire HR6 0BD	£275,000	August 2018 (Community Purchase)
<b>The Boot Inn</b> Orleton, Ludlow, Shropshire SY8 4HN	£280,000	January 2019 (Community Purchase)
<b>The Pound Inn</b> Leebotwood, Church Stretton, Shropshire SY6 6ND	£315,000	October 2017
<b>Balance Inn</b> Luston, Leominster, Herefordshire. HR6 0EB	£185,000	March 2016
<b>Bottle &amp; Glass</b> Picklescott, Shropshire. SY6 6NZ	£315,000	November 2018
<b>Nelson Inn</b> Suckley, Worcestershire. WR6 5EF	£303,000	June 2018

22. **DEFINITIONS OF VALUATIONS (see General Appendix B)**23. **LIMITATIONS**

This report is carried out in accordance specifically with your instructions and is prepared on the basis that it is private and confidential, and purely for the use of the named client and his financial advisers and may not be used either in whole or part by a third party without written permission being received from this Company.

24. **LOCATION PLAN**

We attach a location plan (Appendix 1) which is not to scale and is supplied for identification purposes only.

## VALUATION

Based upon the information provided to us, and in accordance with the assumptions and conditions as detailed in this report, we are of the opinion that the valuation as at today's date and as detailed at the commencement of this report is as follows:-

VALUATION		
Market Value - Closed	The value of the Freehold premises to include the existing trade furniture, fixtures, fittings and effects, but without the benefit of recent certified trading information. Sold as a closed unit in accordance with the attached criteria at Appendix B paragraphs a) and d).	THREE HUNDRED THOUSAND POUNDS (£300,000)

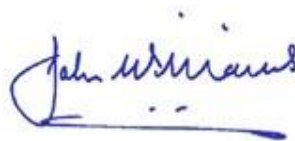
We trust the foregoing opinions and valuation will satisfy your requirements, but should you require a more detailed report on any particular aspect, please let us know.

Dated 13 February 2020



.....FAVLP

Under the supervision of



.....FRICS

RICS Registered Valuer  
**SIDNEY PHILLIPS**  
 Chartered Surveyors  
 Licensed Property Valuers  
 Eaton Bishop  
 Hereford  
 HR2 9UA

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**APPENDIX 1**  
**Land Registry Extract**  
**Location Plan**

**APPENDIX 2**

**Photographs**

**GENERAL APPENDICES**

**A - C**

# **GENERAL APPENDIX A**

## **Standard Assumptions, Recommendations, Limitations and Statements**

### **1: THE BUILDING/S - RECENT ADDITIONS - RECOMMENDATION**

It is recommended that legal advisers check on compliance with Planning and Building Control Regulations in respect of any recent additions/changes. We have made no such checks.

### **2: CONDITION OF PROPERTY - LIMITATIONS**

These observations are subject to the limitations detailed in our Conditions of Engagement.

We have not carried out a Building 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.

### **3: COMPLIANCE MATTERS**

#### **3.1: CONTAMINATED LAND - LIMITATIONS**

We are not aware of the content of 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 such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any potential for contamination to the subject property from these uses or sites, and have therefore assumed that none exists.

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

#### **3.2: DISABILITY DISCRIMINATION ACT**

We have not carried out or commissioned any investigations to determine whether or not the property complies with the requirements of the Disability Discrimination Act 1995 and have made no allowance for any potential cost or compliance works. We make informal comment but we are not qualified or registered Access Consultants. Operators are obliged to make reasonable adjustments to minimise impediments to provision of their services to disabled people.

#### **3.3: ASBESTOS & ANY OTHER HAZARDOUS OR DELETERIOUS MATERIALS**

Owners, occupiers or managers of non-domestic premises have responsibilities to manage any risk concerning asbestos containing materials (ACMs) on the premises (Control of Asbestos at work Regulations 2002).

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material or technique, (eg high alumina cement, asbestos) were used in the construction of the property or have since been incorporated, and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

#### **3.4: PREMISES LICENCE**

We have made enquiries concerning any Premises Licence as indicated in the report. It is the responsibility of the owner or operator to be and/or appoint Personal Licence holder/s for the business to be operated. We have made no enquiries concerning personal licence holders.

#### **3.5: FIRE RISK ASSESSMENT**

[Regulatory Reform (Fire Safety) Order 2005]

Owners, Occupiers or Managers - "Responsible Persons" of business premises are required to make suitable and sufficient assessment of

the risks and to identify and action the fire precautions required to comply with the order.

We have not carried out or commissioned any fire risk assessment.

### **3.6: ENVIRONMENTAL HEALTH, SAFETY & HYGIENE**

Businesses must have assessed their operations and made adequate provision for compliance. We have not carried out or commissioned any Environmental Health, Food Safety or Hygiene assessments.

### **4: TOWN PLANNING - ASSUMPTIONS**

Our report is issued strictly on the understanding that all work to the property and the use are fully authorised by valid planning consents in accordance with the Town & Country Planning Legislation. In the event that subsequently it appears that planning consent has not been obtained for any part or parts then this valuation should be referred back to us for reconsideration.

### **5: FIXTURES & FITTINGS - ASSUMPTIONS**

We have assumed that the trade furniture, fixtures, fittings and effects (with the exception of the obvious personal and private items) would be included in any sale and that all these *are or will be* owned outright by the *Mortgagor or Applicant* and not subject to any Lease, Hire Purchase or Third Party Charge.

Any Brewers Beer raising and dispense equipment is specifically excluded from the Valuation.

### **6: TENURE & TITLE - GENERAL ASSUMPTIONS**

This Appraisal is based on the assumption that good title can be shown and that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing, that the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries, or by any statutory notice, and that neither the property nor its condition or its use or its intended use is or will be unlawful.

### **7: VALUATION METHODOLOGY**

The property has been valued by the profits method relying on the trade information provided and using our knowledge of other comparable trading accounts of similar styles of business.

The resulting valuations have been checked by reference to open market sales of comparable categories of property. Due to the confidential nature of our business, we are unable to quote transaction details.

### **8: STATUS OF VALUER & P.I. INSURANCE**

It is confirmed that neither the valuer nor Sidney Phillips have any direct or indirect interest - financially or otherwise - in the property or any loan transaction secured upon it. The Valuation has been prepared by us as independent Valuers and is not conditional upon the production of any specific value or range of values.

It is confirmed that we have in place appropriate Professional Indemnity insurance in respect of this valuation.

### **9: RE-APPRAISAL**

In the event that an assumption we have made proves to be wrong whereby the difference could have an effect on value, the valuation should be referred back to us for reappraisal.

### **10: LEGAL ISSUES - LIMITATIONS**

(i) No responsibility or liability is accepted for the true interpretation of the legal position of the client or other parties. Any interpretation of legal documents and legal assumptions must be checked by the client with a suitably qualified lawyer if they are to be relied upon.

(ii) This report is carried out in accordance specifically with your instructions.

(iii) Any discrepancies revealed by the searches and verification should be referred back to us so that the valuation can be reviewed in the light thereof.

### **11: GRANTS & TAXATION - ASSUMPTIONS**

(i) We have not taken account of any grants or other subsidies which may have been received or may be available in respect of the property nor any liability to repay such sums which may arise on disposal.

(ii) No allowance has been made in the valuation for Capital Gains Tax and VAT or any other taxation liability which may arise on the

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letting or disposal of the property - actual or notional, nor for any costs of acquisition or disposal.

(iii) We have assumed that VAT will not be chargeable in addition on the interest valued. In the event of VAT being chargeable, the value reported could vary and should be referred back to us for comment.

**12: LIABILITY - LIMITATION**

This Report and Valuation has been prepared for the stated purpose and for the sole use of the named client. The Valuer accepts responsibility to the client alone that the Report has been prepared with the skill, care and diligence reasonably to be expected of a competent Valuer, and accepts no responsibility whatsoever to any parties other than the client. Any such parties rely on the Report at their own risk.

**13: DISCLOSURE - LIMITATION**

Neither the whole nor any part of the Report nor any reference to it may be included in any published document, circular or statement or published in any way, without the Valuer's written approval of the form and context in which it may appear

**14: EXPERT WITNESS STATEMENT (where applicable)**

In accordance with the Practice Statement and Guidance Notes for Surveyors acting as Expert Witnesses, The valuer confirms that he understands his duty to the Court in providing evidence, that he has complied with that duty, that his report includes all matters relevant to the issue on which expert evidence is given and that he has given details in this report of any matters which might affect the validity of the report.

**15: COMPLAINTS**

Sidney Phillips has in place a Complaints Handling Procedure in compliance with the regulations of The Royal Institution of Chartered Surveyors. If you have a complaint please refer it to your Contact Office. If your complaint cannot be resolved immediately, we will ask you to follow the approved Complaints Procedure, and a copy of the Procedure will be dispatched to you.

**GENERAL APPENDIX B****VALUATION DEFINITIONS****a) Market Value**

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

The valuation prepared on an open market basis is in accordance with the RICS Valuation – Professional Standards (January 2014) issued by the Royal Institution of Chartered Surveyors incorporating International Valuation Standards 2013 (IVS) and which is defined as follows:-

**b) Market Value as a Fully Equipped Operational Entity having regard to Trading Potential ("Market Value - Trading")****Market Value, plus:**

- (i) Vacant possession is provided on completion of all parts of the property occupied by the business.
- (ii) The business is open for trade.
- (iii) The business includes an Inventory of trade furnishings and equipment.
- (iv) Accounts or records of trade are available and will be assessed and/or relied upon by a prospective purchaser.
- (v) (If specified in addition) with special assumptions made as to trading performance.

**c) Market Value as a Fully Equipped Operational Entity having regard to Trading Potential - but subject to Special Assumptions ("Market Value - Trading - in Default")**

As Market Value Trading, but of a property which is equipped and continuing to trade with mortgagee in possession. Assumptions (iv) and (v) change:

- (iv) Accounts or records of trade are not available and prospective purchasers are aware that the business has trading difficulties.
- (v) The mortgagee realises it would be beneficial to achieve a sale within four months.

**d) Market Value of the Empty Property having regard to Trading Potential and subject to Special Assumptions ("Market Value - Closed")**

The market value of a property which is usually valued as a fully equipped operational entity, having regard to trade potential but subject to the following special assumptions.

- (i) Vacant possession is provided on completion of all parts of the property occupied by the business.
- (ii) The business has been closed.
- (iii) The trade Inventory has been depleted or removed.
- (iv) Accounts or trading records would not be available to a prospective purchaser.
- (v) Licences have been lost or breached.
- (vi) The mortgagee desires a sales within three months.
- (vii) The property has not been vandalised.

**e) The Market Value of a property which is or will be a fully equipped or operational entity having regard to trading potential - subject to special assumptions regarding development as proposed or in progress. ("Market Value - Trading Development Projection")****Market Value plus:**

- (i) Vacant possession is provided on completion of all parts of the property occupied by the business.
- (ii) The proposed development of the business is assumed to have been completed.
- (iii) The business is assumed to have been equipped /re-equipped to a specified standard.
- (iv) The valuation is made on the assumption that trade projections as supplied and/or specified by the valuer are being achieved.

**f) The Market Value of a fully equipped operational entity having regard to trading potential, let as a trading investment ("Market Value - trading investment")****Market Value plus:**

- (i) The property is let subject to a tied supply agreement on known/specified terms and reflects the maintainable margin gained on goods and services.
- (ii) The business is open for trade.
- (iii) Tied supply (barrelage etc) records are available and will be relied upon by a prospective purchaser.
- (iv) The trade inventory is owned by the lessee and not included in the valuation.

**g) The Market Value of a fully equipped trading entity, let as a trading investment as part of a portfolio of properties ("Market Value - trading investment - Portfolio")****As "Market Value - trading investment" plus:**

- (v) Enhanced assumptions of investment return because the freeholder / lessor obtains preferential discount terms from brewers/trade suppliers and overheads benefit from the economies of scale.

**h) Market Rent**

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

- (i) A stated length of term and principal conditions which are neither onerous nor beneficial apply.
- (ii) No premium passed.
- (iii) Any rent free period was in respect only of the time needed by the tenant to make the property fit for occupation.

**j) Reinstatement**

An indication for insurance purposes (which is given solely as a guide, as a formal estimate for insurance purposes can be given only by a quantity surveyor or other person with sufficient current experience of replacement costs) of the current reinstatement cost of:

- (i) The buildings in their present form (unless otherwise stated);
- (ii) or
  - Buildings being constructed as proposed to be completed; each including the costs of clearance and professional fees, and assuming satisfactory ground conditions. Excluding:-
    - (a) VAT (except on fees)
    - (b) loss of rent; and/or
    - (c) cost of alternative accommodation for the reinstatement period.

**Note:** In particular, where a building is listed as being of architectural or historic interest, or is located in a conservation area, or is of substantial stone half timbered or other construction which is at variance with conventional modern techniques or methods the Client is advised to obtain specialist advice because reinstatement costs of such buildings can exceed substantially the reinstatement costs usually recommended for buildings of conventional construction. Where buildings are likely to be rebuilt or to have to be rebuilt in a different way from their original, the insurers approval of the proposed method of reinstatement must be obtained.

**GENERAL APPENDIX C**  
**SIDNEY PHILLIPS STANDARD**  
**CONDITIONS OF ENGAGEMENT FOR THE**  
**VALUATION AND APPRAISAL OF**  
**COMMERCIAL LAND AND BUILDINGS**

(Which apply unless agreed to the contrary in the Letter of Instruction)

In compliance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors

\*see footnote concerning variations from RICS Model Instructions

## 1. The Service

**1.1** The Valuer will provide directly to the Client a Report based on an inspection as described below. In respect of the subject property(ies), the Valuer will be an independent Valuer, who is a Corporate Member of The Royal Institution of Chartered Surveyors and either:

(a) in respect of the particular type of property, has sufficient current local, and national (as appropriate) knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently;

or:

(b) where he satisfies (a) above, except that he has insufficient current knowledge, he will be or has been assisted by a person(s) who has/have such knowledge and the skills and understanding necessary to provide the assistance required;

and

where the nature of the instruction dictates, the above requirements in (a) and (b) may be met in aggregate by more than one Valuer.

(c) meets any legal or regulatory requirements which apply in the circumstances in which the particular valuation is required.

(d) has, and whose partners, co-directors and employees have, no other current or presently foreseeable potential fee earning relationship concerning the subject property(ies), apart from the valuation fee, who has disclosed in writing to the Client any present relationship, or relationship within the past two years of receipt of the valuation instruction, with any of the interested parties and any previous involvement with the subject property(ies).

(e) has professional indemnity insurance as required by the RICS.

**1.2** The Report will provide the following points:

**1.2.1** A full description of the property, its location, apparent state of repair and other relevant information such as the approximate site area.

**1.2.2** The Valuer's valuation(s) of the property(ies) on the following bases, as defined by the RICS:

(a) Market Value as a Fully Equipped Operational Entity having regard to Trading Potential.

When providing valuation (a) it is also recommended for the Valuer to report on the effect of closure of the business, making special assumptions, which are interpreted as:

(b) Market Value as a Fully Equipped Operational Entity having regard to Trading Potential - but subject to Special Assumptions.

(c) Market Value of the Empty Property having regard to Trading Potential and subject to Special Assumptions.

The valuations will exclude any additional value attributable to personal goodwill, but will include the value of any fixtures and fittings which are of value in situ to the present or proposed occupier.

and: if the Valuer believes there is a special prospective purchaser, on the above basis(es) but reflecting the bid of that special prospective purchaser:

and: where the valuation(s) reported pursuant to (a) above, has/have been affected by the existence of an unimplemented planning consent for change of use or other development or by the prospect of such

consent(s) being available, the Valuer will so report and advise as to the amount(s) of the increase reported in consequence.

**1.2.3** In the case of property to be held as an investment:

(a) a projection, at rental levels current at the reporting date, of the rental income to which the owner will be entitled from the property on the bases of current and full occupancy, with comment on the time-scale to achieve the latter and any other related factors;

(b) an opinion upon the effects on value of the quality and terms of the lease(s) and relevant implications upon the valuation in respect of privity of contract (if any); and

(c) the Valuer's view of the market's opinion of tenant covenants for the class of the subject property in the subject locality.

**1.2.4** In the case of a property which is, or which is intended to be, the subject of development or refurbishment, comment upon:

(a) the cost and viability of the project where cost information is provided.

(b) the implications on value of any cost overruns or completion delays.

**1.2.5** Advice, if the Valuer considers it relevant, that there is a significant prospect of or potential for change of use or other development of the subject property, or those in the vicinity, which would materially affect the value of the subject property.

**1.2.6** Advice on any other factors which the Valuer considers are likely materially to affect the status of the property as security, e.g: privity of contract

**1.2.7** Comment upon the proposed purchase price if this has been notified to the Valuer.

**1.2.8** A statement as to any special assumptions which the Valuer has made.

**1.2.9** Where the valuation is for secured lending purposes, the Valuer's opinion of the property as a lending security in terms of present saleability, suitability, expected obsolescence and potential, bearing in mind the length (which will be stated) of the term of the loan contemplated by the Client Lender and assuming that the borrower will maintain the property in a reasonable state of repair.

**1.2.10** An opinion (without liability on the part of the Valuer) of current market conditions and current and expected trends in respect of the type of property in the area.

**1.2.11** A statement as to the valuation method adopted, and an indication as to the extent to which the Valuer has been able to have regard to comparable market transactions and: in the case of property valued for the existing use as an operational entity having regard to trading potential, the opinion which the Valuer has formed as to the future trading potential, including the gross income and profitability likely to be achieved with comment where possible on trading results, current trends, budget and management accounts and existing and expected competition.

**1.2.12** Where the valuation is for secured lending purposes, or otherwise agreed as an additional service: an indication for insurance purposes (which is given solely as a guide, as a formal estimate for insurance purposes can be given only by a quantity surveyor or other person with sufficient current experience of replacement costs) of the current reinstatement cost of:

(a) the buildings in their present form (unless otherwise stated);

or

(b) buildings being constructed as proposed to be completed;

each including the costs of clearance and professional fees but excluding

(i) VAT (except on fees);

(ii) loss of rent; and/or

(iii) cost of alternative accommodation for the reinstatement period.

1.2.13 Any other aspects, other than the usual legal investigations, which the Valuer considers require further consideration or investigations by or on behalf of the Client.

1.2.14 The date of valuation will be the date of the Report, and the date of inspection will be stated.

1.3 Following provision of the Report, the Valuer will be prepared to discuss its contents with the Client/Client Lender's representative.

1.4 The Valuer will:

1.4.1 unless otherwise expressly agreed, rely upon information provided by the Client Lender and/or the Client's legal or other professional advisers relating to tenure, leases and all other relevant matters. However, the Valuer will advise in the Report if he becomes aware of information which appears to be at variance with that provided.

1.4.2 Subject to Paragraph 2.1 below, carry out such inspections and investigations as are, in the Valuer's professional judgement, appropriate and possible in the particular circumstances. These will include oral town planning enquiries.

1.4.3 Where appropriate, make informal comment with regard to the likely conformity of the property with local Environmental Health Officer requirements. The Valuer will not make any enquiries of the Environmental Health Officer and the opinion will be given without liability on the part of the Valuer

1.4.4 If the Valuer's knowledge or inspection suggests that there may be contamination or hidden defects the Valuer will so advise and may exceptionally defer submitting a final Report until the results of further investigations and costings are available. The Valuer will not provide a formal environmental assessment.

1.4.5 In preparing the Report, unless otherwise stated by the Valuer, make the following assumptions which the Valuer shall be under no duty to verify:

(a) that no deleterious or hazardous materials or techniques were used in the construction of the property or have since been incorporated;

(b) that good title can be shown and that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing;

(c) that the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries, or by any statutory notice, and that neither the property, nor its condition, or its use, or its intended use, is or will be unlawful;

(d) that inspection of those parts that have not been inspected would neither reveal material defects nor cause the Valuer to alter the valuation(s) materially; and

(e) unless otherwise stated, that no contaminative or potentially contaminative uses have ever been carried out on the property and that there is no potential for contamination of the subject property from past or present uses of the property or from any neighbouring property.

(f) in the case of proposed or potential building or construction works, that ground conditions are satisfactory and no extraordinary expenses or delays will be incurred during the construction period.

1.4.6 In providing the Service, have regard to relevant contents of the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

1.5 The Report will be provided for the stated purpose and for the sole use of the named Client. The Valuer accepts responsibility to the Client alone that the Report will be prepared with the skill, care and diligence reasonably to be expected of a competent Valuer, and accepts no responsibility whatsoever to any parties other than the Client. Any such parties rely upon the Report at their own risk. Neither

the whole nor any part of the Report nor any reference to it may be included in any published document, circular or statement or published in any way, without the Valuer's written approval of the form and context in which it may appear.

**2. The Inspection**

2.1 The Valuer will undertake a visual inspection of so much of the exterior and interior of the property as is accessible with safety and without undue difficulty, as can be seen whilst standing at ground level within the boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels, which the Valuer considers reasonably necessary to provide the Service, having regard to its purpose.

The Valuer is under no duty to carry out a building survey or to inspect those parts of the property which are covered, unexposed or inaccessible, or to raise boards, move anything, use a moisture detecting meter, or to arrange for the testing of electrical, heating or other services.

2.2 Measurements and Dimensions: The Valuer will not take accurate measurements of the building, internally or externally or of the site, but will take approximate or estimated measurements for guidance or identification purposes only.

**3. The Report**

3.1 If it is not reasonably possible to carry out a substantial part of the inspection (see paragraph 2 above) this will be stated

3.2 Where the Valuer relies on information provided, this and its source will be indicated in the Report.

3.3 The Report will state the existence of tenants improvements and any apparently recent significant alterations and extensions.

3.4 The Valuer is not required to:-

3.4.1. take account of any grants or other subsidies which may have been received or may be available in respect of the property nor any liability to repay such sums which may arise on disposal.

3.4.2. make allowance in the valuation for Capital Gains Tax and VAT or any other taxation liability which may arise on the letting or disposal of the property - actual or nominal, nor for any cost of acquisition or disposal.

3.5 The Valuer can assume that VAT will not be chargeable in addition on the interest valued. Following the provision of the report in the event of VAT being chargeable, the Valuer will provide a revised opinion of value/s.

3.6 Where the Valuer is required to interpret the legal position of the Client or other parties, the Client confirms that no responsibility or liability will be accepted by the Valuer for any interpretation of legal documents, and in any interpretation of legal documents and legal assumptions must be checked by the Clients with a suitably qualified Lawyer if they are to be relied upon.

3.7 The Report will provide wherever appropriate comment under the following headings:-

Location	Services	General Remarks
Description	Overall Condition	Market Commentary
Accommodation	Town Planning	Recommendations
Outside	Fixtures Fittings	& Limitations
Licenses & Certificates	Tenure	Plan of site / boundaries
Environmental Health	The Business	Valuation
Local Authority	Accounts Potential	Methodology Valuation

**4. Instructions and Charges**

4.1 All instructions of the Client Lender will be made directly by the Client and confirmed in writing.

4.2 The Client will pay to the Valuer the fee initially agreed between them, or any amendment thereto to be agreed if the Valuer's instructions are subsequently modified. In addition the Client will pay the amount of any Value Added Tax on the fee.

**Footnote** for clients who are familiar with the RICS Appraisal and Valuation Manual.

These conditions of engagement are substantially similar to the "Model Instructions" in PSA8 **except for:**

- Para 1.4.3 - limitation re EHO compliance comments
- Para 1.4.5 (f) - assumption re ground conditions
- Para 2.2 - measurement procedure
- Para 3.4 - no allowance for grants or tax
- Para 3.5 - no allowance for VAT
- Para 3.6 - limitations re legal issues
- Para 3.7 - report headings