COMMERCIAL VALUATION REPORT

ADDRESS

COVENT GARDEN
LONDON
WC2H

CLIENT

SVENSKA HANDELSBANKEN AB (publ)
THE LIMES
32-34 UPPER MARLBOROUGH ROAD
ST ALBANS
HERTFORDSHIRE
AL1 3UU

PREPARED BY

KAREN ST HELEN, BSc (HONS) MRICS

DATE OF INSPECTION

7TH JUNE 2018
EXECUTIVE SUMMARY

1. Market Value: £3,300,000 (Three million, three hundred thousand pounds)
   Aggregate Market Value subject to the leases and tenancies described
   £3,300,000 (Three million, three hundred thousand pounds) – subject to full vacant possession

2. Rental Value: £147,000 (One hundred and forty seven thousand pounds) per annum

3. Insurance Reinstatement Cost: £635,000 (Six hundred and thirty five thousand pounds)

4. Description: A five storey mixed commercial and residential mid terraced building arranged as one retail unit, one kiosk and three self-contained residential flats above

5. Location: Prime ‘tourist’ Central London location

6. Condition: Satisfactory throughout
EXECUTIVE SUMMARY

7. Gross Internal Floor Area: 2,163 sq. ft / 201 sq. m

8. Tenure: Freehold

9. Tenancies: The property is fully let – commercial let on standard leases and the flats above on standard Assured Shorthold Tenancies

10. Valuation Date: 7th June 2018

RISK ANALYSIS

11.1 Strengths: Good prime and “tourist” central location

11.2 Weaknesses: None of any significance

11.3 Opportunities Being part of this prime mixed used area there is potential for long term capital growth

11.4 Threats: Ongoing political and economic uncertainty causing caution generally in the property market

11.5 Key Issues/Risks Management intensive

11.6 Asset Quality Prime

12. Matters for your Legal Adviser Confirmation that there are no onerous or restrictive covenants contained within the commercial or residential tenancies

13. Demand: Good

14. Marketing Period: Up to six months

15. Suitability for Loan Security: Suitable

This summary is strictly confidential to the addressee. It must be read in conjunction with the whole report and may not be copied, distributed or considered in isolation from the full report.
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Dear Sirs,

RE: 200 AND 202 SHAFTESBURY AVENUE, LONDON, WC2H 8JL

APPLICANT: L.K. AND A.ENTERPRISES LIMITED

1. INSTRUCTIONS

In accordance with the instructions contained in your letter to us dated 24th May 2018 we have inspected the above property and made all relevant enquiries in order to provide you with our opinion of the current Market Value as at the date of inspection of the Freehold interest, subject to and with the benefit of commercial and residential tenancies and also as requested with the benefit of full vacant possession.

As requested our opinion of Rental Value is provided in Section 14 of this report.

We understand that our valuation is required for secured lending purposes to your applicant, L.K. AND A.ENTERPRISES LIMITED, who is proposing to refinance the property.

2. BASIS OF VALUATION

Our valuation has been carried out in accordance with the latest edition of the Royal Institution of Chartered Surveyors Valuation – Professional Standards ['The Red Book'] incorporating the International Valuation Standards [IVS] 2017. It has been undertaken by independent Valuers, as defined by the RICS Valuation Practice Statements and IVSC. The property was inspected on 7th June 2018 by Karen St Helen, BSc (Hons) MRICS, who is accredited by the RICS Valuers Registration Scheme. The date of valuation is the date of inspection.

It is usual for a valuer to be asked to express an opinion as to the suitability of a property as security for a loan, debenture or mortgage. However, it is a matter for the lender to assess the risk involved and make their own assessment in fixing the terms of the loan, such as the percentage of value to be advanced, the provision for repayment of the capital, and the interest rate. We refer in our report to all matters which are within our knowledge and which may assist you in the assessment of the risk.

Our report and valuation in accordance with these requirements is set out below.

The valuation is subject to there being no unusual matters or factors not revealed to us and subject to the comments made in this report.

We have previously provided you with valuation advice in respect of this property in a report dated 20th May 2015 and we confirm this does not constitute a conflict of interest.
We confirm that our insurance policy enables us to undertake commercial and residential valuations and our current sum insured is £15,000,000 (Fifteen Million Pounds), in respect of each and every claim. This is arranged by Howden Group UK Limited, 16 Eastcheap, London, EC3M 1BD.

We confirm the valuer is experienced in valuing properties of this type and is qualified to carry out the instructions. We confirm valuations under our Commercial Valuation service are subject to RICS and external audit.

3. LOCATION

We attach a general location maps at Appendix 2.

The property is situated on the northern side of Covent Garden. This location is a good Central London area situated between Bloomsbury in the north, Holborn in the east, Strand to the south and Soho to the west. The area is renowned for its extensive amenities, including the former flower market, which now has extensive shops, bars, restaurants and is famous for street acts that perform most days.

The property itself is situated on Shaftesbury Avenue close to its junction with Neal Street and High Holborn at the northern end which is the slightly less desirable side of Covent Garden.

The underground stations of Tottenham Court Road and Covent Garden are only a short walk away and there are extensive bus routes serving the area.

The site is shown for identification purposes outlined in red on the attached copy extract from the Land Registry (scale approximately 1:1,250) enclosed at Appendix 3.
4. **DESCRIPTION**

The property comprises a five storey mid terraced building constructed in 1870 or thereabouts. The ground floor and basement comprises a self-contained restaurant and at the corner of the building there is a small separately accessed kiosk. The first, second and third floors comprise three self-contained units which have a separate access in between the restaurant and kiosk and each flat has its own separate door internally. There is no lift serving the flats.

We are not aware of any factors which would have an adverse effect on the lettability or saleability of the property at the present time.

Photographs of the property as well as its surrounds are attached at Appendix 4.

5. **ACCOMMODATION**

We have previously measured the property on site in accordance with IPMS and RICS Code of Measuring Practice. We calculate the internal floor areas are as follows overleaf: -
Floor Use Sq ft Sq m
Lower Ground Restaurant and ancillary accommodation 592 55
Ground Restaurant 323 30
Ground Self-contained kiosk 86 8
Sub Total (NIA) 1,001 93

First Flat 1, comprising one bedroom, an open plan kitchen/living area, bathroom with WC and utility room 355 33
Second Flat 2, comprising one bedroom, an open plan kitchen/living area, bathroom with WC and utility room 355 33
Third Flat 3, comprising one bedroom, an open plan kitchen/living area, bathroom with WC and utility room 452 42
Sub Total (GIA) 1,162 108

The floor area In Terms of Zone A of the restaurant is 41 sq. m (441 sq. ft.).

6. SERVICES

During the course of our inspection we did not notice, nor was our attention drawn to any obvious defects in the services and equipment.

The property is connected to all mains services. Heating and hot water is provided to the flats via individual gas fired boilers to wall mounted radiators. The commercial premises do not have any heating and hot water is provided from an electrical source.

7. CONSTRUCTION

This property is of traditional construction with solid brick walls under a pitched roof with a slate covering. The floors are of solid concrete and a suspended timber construction and the windows are timber framed single glazed sash units with retrospectively fitted secondary glazing.

8. CONDITION

As instructed, we have not carried out a building survey, nor have we tested any of the services. However, we would comment, without liability, that during the course of our inspection for valuation purposes, we observed that the property is in a generally satisfactory condition throughout.

We are not aware of any immediate repairs required to the exterior or interior of the building, or of any defects which might affect the lettability or saleability of the property.

There is no obvious evidence of past or current structural movement affecting the building, nor is the building of an age or type which might lead us to suspect the presence of any materials which are deleterious, hazardous or likely to give rise to structural defects.
There is no evidence that any unusual construction techniques appear to have been used in the construction of the building or have been subsequently incorporated into the structure, and we can confirm that the building does not have any unusual features.

We are of the opinion that the building will have a useful economic life of at least 25 years assuming that normal maintenance and essential repairs listed are carried out to the property.

There are no items where specialist investigations are required or where re-inspections will be necessary.

Should you require a more detailed report upon its structural condition and state of repair, a further inspection and report will be necessary.

9. ENVIRONMENTAL CONSIDERATIONS

We are not aware of the content of any 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 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 contamination or potential contamination to the subject property from these uses or sites and have therefore assumed that none exist.

However should it be established subsequently that contamination, seepage or pollution exist at the property or on any neighbouring land or that the premises have been or are being put to a contaminative use then we reserve the right to review our valuation advice.

Assumptions

9.1 We are not aware that the property and/or its immediate environment is being nor has it been used for the manufacture, storage and/or sale of hazardous/toxic materials such as chemicals, petroleum products, pesticides, fertilisers, acids, asbestos, explosives, paint or radioactive materials.

9.2 We are not aware that hazardous materials or techniques have not been used in the construction of any of the buildings nor have they been subsequently incorporated into the structure.

9.3 We are not aware that there is land or water pollution on or close to the property.

9.4 We are not aware that the building is situated on or near to landfill sites.

9.5 We are not aware that there are storage tanks below ground or incinerators or chimneys giving off heavy emissions.

9.6 We are not aware that there are any adverse ground conditions in the adjoining properties and/or uses of adjoining properties which might give rise to soil contamination.

9.7 We are not aware that the property and/or its immediate locality is affected by naturally occurring gases.

9.8 We are not of the opinion that the property is likely to be included in the Register of Contaminated Land.

9.9 We are not of the opinion that the Bank, in light of the above, should commission a Land Quality Assessment in respect of the property.
9.10 The property is not affected by archaeological remains, evasive vegetation, radon or coal mining.

9.11 From our inspection of the property and its surroundings, we have no reason to believe that contamination is present. There is no evidence to suggest that there has been a more hazardous use than the current use. Our views as to the value therefore assume that the property is unaffected. However, should it be established subsequently that contamination exists at the property, or on any neighbouring land, or that the premises have been put to any contaminative use, this might reduce the values now reported.

Energy Performance Certificates (EPC)

The Energy Act 2011 provides for new Minimum Energy Performance Standards (MEPS) Regulations brought into force by the Secretary of State for Energy and Climate Changes on 1st April 2018. This now means that it is unlawful to let properties in England and Wales, which do not meet a minimum EPC Rating of E. From 2023, it is proposed that it will be unlawful to occupy any property under an existing or new lease which has an EPC Rating of less than E, i.e. F or G.

We have inspected the Department for Communities and Local Government website and can confirm that each unit has an Energy Assessment as follows:

- Flat 1, 202 Shaftesbury Avenue – C74.
- Flat 2, 202 Shaftesbury Avenue – C74.
- Flat 3, 202 Shaftesbury Avenue – C72.
- Ground Floor and Basement Shop – None found.
- Kiosk – None found.

There is no energy performance certificate for some of the units and the borrower is not obliged to procure any at present, but will need to ensure that a certificate is produced if the property is marketed for sale, or upon the next renewal of the existing lease or grant of a new lease of the property.

Flooding

We have established from the Gov.UK website that the property is identified as being near an area marked liable to flooding from rivers or streams.

Flood Risk from Rivers or the Sea

We have made enquiries of the Gov.UK website, which identifies the subject as being within an area that is classed as having a very low risk of flooding from rivers or the sea, which means that it is unlikely to flood except in extreme conditions. The chance of flooding each year is 0.1% (1 in 1000) or less.

Flood Risk from Surface Water

We have made enquiries of the Gov.UK website, which identifies the subject as being within an area that is classed as having a high chance of flooding from surface water, which means that each year, this area has a chance of flooding of greater than 1 in 30 (3.3%). This type of flooding can be difficult to predict, much more so than river or sea flooding as it is hard to forecast exactly where or how much rain will fall in any storm.

Drainage

Surface water run off flooding, known as ‘pluvial’ flooding, at times of prolonged, exceptionally heavy downpours of rain, is becoming increasingly frequent given surrounding drains and sewers are not always able to cope. It can be made worse in urban areas where the ground consists mostly of hard surfaces, such that the rain flows straight off rather than soaking away. Rising groundwater levels resulting from heavier rainfall and reduces abstractions can also present problems.
Detailed Flood Risk Surveys do not currently form one of the mandatory searches undertaken by solicitors at the time of property purchase.

10. **TOWN PLANNING AND HIGHWAYS**

We are not aware of any policies in the relevant structure plan/unitary development plan that are likely to have an adverse effect upon the property.

The land use allocation of the property within the relevant local plan is mixed commercial and residential.

The property is currently used as retail to the ground and basement floors and residential to the upper parts falling within Classes A1, A3 and C3 of the Town and Country Planning (Use Class) Order 1987, as amended.

The property appears to comply with its planning permission(s), and we are not aware of any enforcement actions pending in relation to the property or its current use. We would advise that we have not made any enquiries of the local planning authority and have assumed that all necessary planning consents and approvals have been obtained. We do not believe that the property is directly affected by any highway, town planning or other schemes or proposals.

We have valued the property on the basis that Shaftesbury Avenue is made, adopted and maintained at public expense.

The property is not believed to be listed, however it is situated within the Seven Dials Conservation Area.

**Reformed Fire Regulatory Safety Order 2005**

This came into effect on 1st October 2006 and replaces most fire safety legislation. FSO applies to all non-domestic premises in England and Wales, including the common parts of blocks of flats and houses in multiple occupation (HMOs). Fire Authorities no longer issue fire certificates and those previously in force now have no legal status. Under this legislation, a responsible person must now carry out a fire risk assessment (or otherwise ensure one is carried out by a suitably qualified person). Unlike the old fire certificates, the fire risk assessment is in respect of the way the premises are used and accordingly this is not something which runs with the property or is transferred to a new occupier.

We did not note that there was a fire system in place, however we would still recommend that the applicant ensures that such a fire risk assessment has been commissioned and any recommendations implemented.

**Disability Discrimination Act 1995 and Equality Act 2010**

The Disability Discrimination Act 1995 (The DDA) and the Equality Act 2010 cover the provision of goods, services and facilities directly to the public. A service provider is required to take reasonable steps to remove or alter any feature of the property that make it impossible, or unreasonably difficult for a disabled person to make use of the services of the property. Failure to do so, or non-compliance could result in civil proceedings. The definition of disability is widely ranging and an assessment of the building for this purpose is beyond the scope of this report. We have not carried out or commissioned any investigations to determine whether or not the property complies with the above requirements no have we made any allowances for the cost of compliance works.

11. **TAXATION**

We have inspected the Valuation Office Agency website and confirm that the entry appearing in the 2017 non-domestic rating list is a follows:
<table>
<thead>
<tr>
<th>Address</th>
<th>Description</th>
<th>Rateable Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>200 Shaftesbury Avenue</td>
<td>Restaurant and premises</td>
<td>£43,000</td>
</tr>
<tr>
<td>202 Shaftesbury Avenue</td>
<td>Shop and premises</td>
<td>£23,000</td>
</tr>
</tbody>
</table>

We also inspected the Direct Gov UK website and can confirm that the entry appearing in the 1993 council tax list is as follows:

<table>
<thead>
<tr>
<th>Address</th>
<th>Banding</th>
<th>Rates Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat 1, 200-202 Shaftesbury Avenue</td>
<td>C</td>
<td>£1,323.05</td>
</tr>
<tr>
<td>Flat 2, 200-202 Shaftesbury Avenue</td>
<td>C</td>
<td>£1,323.05</td>
</tr>
<tr>
<td>Flat 3, 200-202 Shaftesbury Avenue</td>
<td>C</td>
<td>£1,323.05</td>
</tr>
</tbody>
</table>

12. **TENURE**

We have valued the Freehold interest in the property subject to leases/tenancies and also with the benefit of full vacant possession. We assume that full rights of access are enjoyed, and that no third parties enjoy any rights over the subject property.

We have not been shown a copy of any Report on Title, nor have we made any enquiries of the Land Registry, and neither has our attention been drawn to the existence of any such restrictions. We are not aware of any known easements, servitudes or rights of way that may adversely affect the property, and have assumed for the purpose of our valuation that none exist.

**Leases**

- The restaurant and ancillary accommodation is let to **Hamza Boyraz** on a lease dated 9th February 2017 for a term of 12 years and expiring on 8th February 2029. The agreed rental is £40,000 per annum which is subject to review every four years.

- The kiosk, is let to **John Blundell Shoemaster Limited** and we have been provided with an undated draft lease for a term expiring on and including 2030. The current rent passing is assumed £25,000 per annum which is scheduled to increase over the course of the next few years, however these dates have not been inserted into the draft copy lease. A completed copy would need to be verified by your Legal Adviser as to the current passing rent and any dates of any increases, however for the purpose of this valuation we will assume that the current rent passing will be the rental for the duration of the term.

The first, second and third floor flats are let on Assured Shorthold Tenancies and ones we assume do not give the tenants any security of tenure. We understand that the total rent passing for the flats is currently £6,803 per calendar month (£81,636 per annum).

Therefore the total current rental income is £146,636 per annum.

13. **MARKET OVERVIEW**

Continuing a trend from the preceding 18 months, the first half of 2018 has been dominated by a political and macro-economic backdrop that continues to evolve on an almost daily basis.
Whilst agreement in principle seems to be in place regarding the transition period following Britain’s exit from the European Union, other matters are far from clear. Inevitably this has a huge bearing on the UK economy which is in turn underpinned by its property market.

Reports from respected research departments are now beginning to suggest that the effects of the 2014 and 2016 Stamp Duty changes have now been all but absorbed into the high value Prime Central London property market. This data is encouraging although transaction volumes in this category are inevitably low. The market in the £1m to £3m bracket is some areas is taking slightly longer to fully recover from the introduction of increased SDLT levies however, as for many of these buyers, the tax is more of an affordability consideration.

Looking at London generally, the average cost of buying a home was £486,000 at the start of 2018, according to the latest sold price figures. This was £10,000 higher than the average sold price the year before but was lower than 2017’s peak average sold price of £489,000 recorded in July, figures published by the Office for National Statistics (ONS) show.

However, whilst the average increase in the cost of buying a home in London was 2.1 per cent, this rise was not spread evenly throughout the Capital, with more affordable outer boroughs attracting buyers priced out of the most expensive, more central areas. South and East London’s outer boroughs saw the greatest price growth in the year, with Redbridge leading the way with an average sold price of £432,000. Sold prices rose 5.9 per cent in the 12 months up to January 2018 in this East London borough, which will have fast trains into Central London and Heathrow via Crossrail from four stations at Ilford, Seven Kings, Goodmayes and Chadwell Heath, when Elizabeth Line opens.

New transport links are also planned for the Capital’s second best performing borough, Merton, which will get a new tram link running from South Wimbledon to Sutton from September. Prices in this South West London borough rose 5.6 per cent to £511,000. Lewisham, Greenwich and Bexley, all in South East London, completed the top five boroughs for property price increases.

In his recent Spring Statement, the Chancellor of the Exchequer explained that the exemption in Stamp Duty Land Tax has helped over 60,000 first time buyers, coupled with continued favourable mortgage interest rates. Whilst this combination may seem to make now the ideal time for first time buyers to step onto the property ladder, the ongoing lack of supply is maintaining year on year price growth which obviously makes saving a deposit more and more onerous.

Much like predictions on the future of Britain’s economy generally, forecasts relating to London’s property market vary widely. Yael Selfin, chief economist at KPMG, said that house price growth in London will lag behind growth in other sectors of the UK over the next five years.

"The combination of rising interest rates, relatively subdued UK economic growth, and Brexit-related uncertainty will put some downward pressure on pricing in the short-term," she said. "Looking over the longer-term, valuations are likely to play a larger role in shaping house prices. In London - where prices relative to earnings are the most stretched - we expect to see prices rise by less than in other regions. Although shortage of housing stock is expected to support growth in the medium-term."

Elsewhere, Jeremy Helsby, Chief Executive of Savills has recently said "We anticipate a tempering of the strong transaction volumes of recent times in some markets".

Moving forward, London’s do not expect to see huge changes in the London residential property market during the next six months, although as we get closer to 29th March 2019 (Britain’s exit from the European Union) we may see some hesitancy from buyers and sellers alike.

The Office Market

As the market entered the traditional quiet summer period, take up fell to 0.4m sq. ft. in August 2017, 65% below the 10 year average. Availability remained flat in August, standing at 14 million sq. ft., 5% below the 10 year average. Under offers increased by 11% during August to 3.6 million sq. ft., 27% above the 10 year average.
Take-up for November rose by 36% from October to stand at 1.0m sq. ft. The largest transaction of the month was the Lloyds Banking Group acquisition of 125,400 sq. ft. at 125 London Wall, EC2. Availability fell in November and remained below average, standing at 14.3m sq. ft. The level of under offers dropped by 9% from the high levels seen in October but remained above average at 3.2m sq. ft. A total of 4.8m sq. ft. of development and refurbishment space has completed so far in 2017, 77% of which is let. A further 1.8m sq. ft. is expected to complete before the end of the year. At the end of November 2017, Central London active demand stood at 6.4m sq. ft.

The Retail Market

The retail sector continued to face challenges throughout 2017 as rising prices and falling real wages place pressure on household spending. Retail sales volumes are likely to flatten in the weaker economic outlook, amplifying the challenge faced by physical retail stores to remain profitable against online retailers. Network consolidation by retailers will continue to favour profitable prime retail locations. All-retail rental values were stable in the three months to May (IPD Monthly Index), a picture broadly reflected across the main retail subsectors.

The Industrial Market

The industrial sector remains buoyant with average rental values increasing by approximately 4% over the 12 months to May 2017, well ahead of the all-property average (IPD Monthly Index). The structural change in the retail market towards e-tailing, parcel delivery and discount retailers continues to drive demand for the logistics sector in particular.

The largest deal was Amazon who took 2,200,000 sq. ft. at London Distribution Park in Tilbury. These high levels of take up have resulted in a drop in availability which is at its lowest level for 10 years. Overseas purchasers also drive investment demand in this sector along with UK Institution investors.

14. MARKET VALUATIONS

Market Value is defined as follows:

“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”.

Having carefully considered the property as described above, we are of the opinion that the current value, on the basis specified below, of the Freehold interest, subject to and with the benefit of the leases described above (and otherwise) with the benefit of full vacant possession is as follows:-

1. Market Value, in the order of:

   £3,300,000
   (THREE MILLION THREE HUNDRED THOUSAND POUNDS)

2. Market Value subject to vacant possession, in the order of:

   £3,300,000
   (THREE MILLION THREE HUNDRED THOUSAND POUNDS)

In the context of the RICS definition of market value, we consider that period up to six months is a reasonable period within which to negotiate completion of a sale by private treaty of the property at the level of our valuation, taking into account the nature of the property and the state of the market.
Market Rent

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 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.

Rental Value, in the order of:

£147,000

(ONE HUNDRED AND FORTY SEVEN THOUSAND POUNDS)

15. COMPARABLE EVIDENCE

In arriving at our Market Value of the proposed security we have taken into consideration the sales and letting transactions detailed below, which have been analysed in Section 16.

Commercial Lettings Transactions

1. **55 Frith Street, London, W1D 4SJ.** This is a ground floor retail unit located in a Central London prime area extending to 758 sq. ft. ITZA. The property was let in July 2017 at an agreed rent of £70,000 per annum which reflects a rate of £92.35 per sq. ft.

2. **54 Frith Street, London, W1D 4SL.** An A3 lock-up shop extending to 615 sq. ft. ITZA. The property was let on a one year lease in July 2017 at a rent of £75,000 per annum which breaks back to £121.95 per sq. ft. This unit is an A3 use.

3. **48-50 Brewer Street, Soho, London, W1F 9TQ.** An A3 ground floor lock-up shop situated in the prime area of Soho and extending to 987 sq. ft. The property was let on a 10 year lease in July 2017 at an agreed rental of £155,000 per annum which devalues to £157.04 per sq. ft.

Commercial Investment Sales Transactions

1. **30-31 Clerkenwell Green, London, EC1R 0DU.** The Freehold investment of a property let to Dans Le Noir on a lease producing an income of £75,000 per annum and the Assured Shorthold Tenancies above producing an income of £54,340 per annum. The property sold in May 2017 for £3,950,000 which produces a gross yield of 3.27%.

2. **25-27 Farringdon, London, EC1M 3HA.** A Freehold investment of a property let to Boots Pharmacy on a 10 year lease at a rent of £90,000 per annum. The property sold in March 2017 for £2,800,000 which produces a gross yield of 3.21%. We would expect the yield profile to reflect the tenant's covenant strength.

3. **62 Fleet Street, London, EC4Y 1JU.** A prime Freehold investment which is currently let to Kim’s Vietnamese on a 15 year lease from 2014 at a rental of £53,500 per annum and there is a ground rental income from a self-contained flat above of £200 per annum. The property sold in February 2017 for £828,000 which produces a gross yield of 6.49%.

Residential Lettings Transactions

1. **Flat 2, Shaftesbury Avenue, Covent Garden, London, WC2H 8JL.** A one bedroom second floor flat extending to 452 sq. ft. let in October 2017 in good condition for £480 per week (£2,080 per calendar month).

2. **Flat 2, 16 Earlham Street, London, WC2H 9LN.** A one bedroom second floor flat extending to 352 sq. ft. and let in good condition in November 2017 for £495 per week (£2,145 per calendar month).
3. **No 1 Glass House, 175 Shaftesbury Avenue, WCH 8AN.** A one bedroom second floor flat extending to 549 sq. ft. let in March 2018 for £500 per week (£2,167 per calendar month).

4. **Flat D, 37 Odhams Walk, London, WC2H 9SB.** A first floor one bedroom flat totalling 538 sq. ft. and let in good condition in June 2017 for £495 per week (£2,145 per calendar month).

**Residential Sales Transactions**

1. **Flat 2, 21 Greek Street, London, W1D 4DX.** A second floor flat comprising a bedroom, reception, kitchen and bathroom and extends to 445 sq. ft. The property sold in good condition in January 2017 for £750,000 which equates to £1,685 per sq. ft.

2. **Flat 1, 24A Litchfield Street, London, WC2H 9NS.** A first floor flat comprising one bedroom, reception, kitchen, and bathroom and extends to 410 sq. ft. The property was sold in April 2017 in good condition for £695,000 which breaks back to £1,695 per sq. ft. This property is situated above commercial premises.

3. **7 Pathe Building, 103-109 Wardour Street, London, W1F 0UH.** A third floor one bedroom flat comprising a reception, kitchen and bathroom and also benefits from a roof terrace and extends to 549 sq. ft. The property was sold in good condition in March 2017 for £900,000 which equates to £1,639 per sq. ft. This property is situated above commercial premises.

4. **Flat 1, 25 Monmouth Street, London, WC2H 9DD.** A first floor one bedroom flat above commercial property and comprising a reception, kitchen and bathroom and extends to 387 sq. ft. The property sold in good condition for £700,000 in October 2017 which devalues to £1,809 per sq. ft.

16. **VALUATION ANALYSIS**

The commercial element of the property comprises a lower ground and ground floor restaurant (A3) and a self-contained kiosk currently used as a cobbler (A1 Use). We are of the opinion that the kiosk is let at its current market rental of £25,000 per annum. In relation to the restaurant premises which has a current passing rent of £40,000 per annum, we are of the opinion that based on the transactions detailed above that the property is also let at current market rental levels. The restaurant based on our measured floor areas breaks back to £90.70 per sq. ft. ITZA. In terms of the kiosk this is a small unit which would not be analysed on a Zone A figure as this would be hugely distorted due to its size. Nevertheless for this report it is analysed as £290.70 per sq. ft.

Based on the above investment sales we have applied a gross yield of 4.5% (22.22YP) to the current aggregate passing rent of the restaurant and kiosk of £65,000 per annum, which reflects that the property is situated in Covent Garden albeit at a marginally off pitch northern end of the area, the covenant strength is relatively unknown although there is potential for rental growth over the course of the leases. This equates to a market value of the commercial element of £1,444,300 which we would round to £1,440,000.

We are of the opinion that based upon the above residential lettings transactions that the individual flats have market rental values of:

<table>
<thead>
<tr>
<th>Flat Number</th>
<th>Rental Value Per Calendar Month</th>
<th>Rental Value Per Annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat 1</td>
<td>£2,145</td>
<td>£25,740</td>
</tr>
<tr>
<td>Flat 2</td>
<td>£2,145</td>
<td>£25,740</td>
</tr>
<tr>
<td>Flat 3</td>
<td>£2,513</td>
<td>£30,156</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£6,803</strong></td>
<td><strong>£81,636</strong></td>
</tr>
</tbody>
</table>
The total rental value of the property equates to £146,636 which we have rounded to £147,000 per annum.

The above residential sales transactions equate to a range of values between £1,639 per sq. ft. and £1,809 per sq. ft. Based on these transactions and others that we are aware of, we are of the opinion that the flats have individual market values which are as follows:

<table>
<thead>
<tr>
<th>Address</th>
<th>Size</th>
<th>Capital Value</th>
<th>Rate Per Sq. Ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat 1</td>
<td>355 sq. ft.</td>
<td>£570,000</td>
<td>£1,606</td>
</tr>
<tr>
<td>Flat 2</td>
<td>355 sq. ft.</td>
<td>£570,000</td>
<td>£1,606</td>
</tr>
<tr>
<td>Flat 3</td>
<td>452 sq. ft.</td>
<td>£725,000</td>
<td>£1,604</td>
</tr>
</tbody>
</table>

**Total** | **£1,865,000**

Therefore the aggregate market value of the commercial and residential element is £3,305,000 which we have rounded to £3,300,000. We are of the opinion is a fair reflection of the property’s current market value as reported in section 14 above.

A valuation printout of the commercial element is attached at Appendix 6.

17. **REINSTATEMENT VALUE**

You have sought from us an indication for insurance purposes of the current reinstatement cost of the property in its present form. This we are pleased to provide below, but as stated in the RICS Appraisal and Valuation Manual, it is "given solely as a guide as a formal estimate for insurance purposes can only be given by a Quantity Surveyor or other person with sufficient current experience of replacement costs." We confirm that the property has not been inspected by such a person, and therefore the cost estimate below is provided without liability and for guidance purposes only.

We would recommend that the subject property be insured for a minimum sum of £635,000 (Six hundred and thirty five thousand pounds). This sum allows for full reinstatement, professional fees and VAT, but excludes any allowance for inflation or loss of rent, and should accordingly be updated on an annual basis to keep pace with rising costs. We would emphasise that the figure detailed above is our estimate of the costs of rebuilding the property and bears no direct relationship to current open market values.

The external area of the property is 254 sq. m as measured under the IPMS and RICS Property Measurement Standards.

18. **GENERAL REMARKS**

Given the nature of the property and the matters we have highlighted, we consider that there would be a keen market for the property.

The property comprises a five storey mixed use mid terraced building situated in a good “tourist” Central London location. The property is currently fully let and there is potential for future growth in terms of the residential as we believe the commercial premises are now let at their market level.

Therefore based upon the report as a whole and the transactions detailed and analysed above, we are of the opinion that the property continues to form a suitable security for the lending purposes of Svenska Handelsbanken AB (publ) at the valuation figures reported in Section 14.
19. ASSUMPTIONS AND CONDITIONS

General Assumptions

Our valuation has been carried out on the basis of the following General Assumptions. If any of them are subsequently found not to be valid, we may wish to review our valuation, as there may be an impact on it.

1. That the Freehold interest is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings contained in the Freehold Title. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.

2. That we have been supplied with all information likely to have an effect on the value of the property, and that the information supplied to us and summarised in this report is both complete and correct.

3. That the building has been constructed and is used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful (other than those points referred to above).

4. That the property is not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).

5. We have not carried out a building survey or opened up the construction in order to make a detailed examination and no tests have been made of the drains, electrical or gas installations, hot or cold water systems or other services. No inspection has been made of the woodwork or other parts of the structure which are covered, unexposed, or inaccessible and we are, therefore, unable to report that such parts of the property are free from rot, beetle and other defects.

6. That the property is connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.

7. That in the construction or alteration of the building no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.

For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions.

No investigations have been carried out to ascertain the presence of Radon gas or emissions from power cables.

8. That the property has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.

9. We have not carried out, nor commissioned, a site investigation or geographical or geophysical survey and can therefore give no assurances, opinion or guarantee that the ground has sufficient load bearing strength to support the existing structure or structures which may be erected upon it. We can give no assurance, opinion or guarantee that there are no underground mineral or other workings within the site or its vicinity, nor that there is any fault or disability underground.
10. Under the Control of Asbestos at Work Regulations (2012) it will be necessary for all property owners/occupiers to undertake an inspection for asbestos in all non-domestic properties (to include common parts of shared residential dwellings). Following this exercise there are a number of requirements, to include the need for an asbestos management plan to be drawn up and implemented.

Further details are available from the Health and Safety Executive (website address - www.hse.gov.uk/asbestos).

For valuation purposes we have assumed that no significant costs of a capital nature will be identified as part of this investigation process. Should this not be the case then we would wish to review the valuation advice provided, upon receipt of a costed schedule of the required works.

11. We assume for the purposes of this report that the business premises comply fully with the provisions of Part III of the Disability Discriminations Act 1995 which, from 1st October 2004, requires all businesses providing goods and services to the public to take reasonable steps to provide easy access to people with disabilities.

12. The EU Energy Performance of Buildings Directive was introduced to the UK from January 2006. This introduced higher standards or energy conservation for new and refurbished buildings, and includes the need for Energy Performance Certificates on all commercial buildings for construction, lease or sale from October 2008. As at 1st April 2008 it has been required on all buildings over 1,000 sq. m. with a phasing across the rest of the sector. All public buildings over 1,000 sq. m. will require a Display Energy Certificate. Both types of certificates will be valid for 10 years.

13. Excluded from our valuation is any additional value attributable to goodwill, or to fixtures and fittings, which are only of value in situ to the present occupier.

There are various exemptions including places of worship, temporary buildings in use for less than 2 years, some agricultural buildings such as barns, and standalone buildings less than 50 sq. m. In addition, since January 2009 air conditioning systems (larger than 12 kW) have been subject to inspection every 5 years.

We have assumed for the purpose of our valuation that the requirements as appropriate have been complied with, and that they have no adverse effect upon our valuation. We would recommend that your solicitors make the necessary enquiries in this regard.

**General Conditions**

Our valuation has been carried out on the basis of the following general conditions:

1. We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property.

2. Our valuation is exclusive of VAT.

3. No allowance has been made for any expenses of realisation.

4. Excluded from our valuation is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.

5. Each property has been valued individually and no allowance has been made, either positive or negative, should it form part of a larger disposal. The total stated is the aggregate of the individual Market Values.
6. No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it has been assumed that all fixed plant and machinery and the installation thereof complies with all relevant legislation.

7. No plant or machinery has been included in this valuation other than that normally considered to form a service installation for the property in general. The contents of the building, tenants' fixtures, furniture and furnishings, vehicles, stock, loose tools and goods will have been expressly omitted from our valuation.

8. Although the valuation figure takes into account current market conditions, its validity is limited for a period not exceeding six months from the date of the report. If the report and valuation figure is not relied upon within the above time scale a further inspection and valuation will be necessary.

9. The valuation has been carried out using comparable data of property transactions supplied to us and assumed to be correct.

20. MATTERS FOR REFERRAL TO THE BANK’S SOLICITORS

Confirmation that there are no onerous covenants or restricted clauses contained within the commercial leases.

21. VERIFICATION

This report contains many assumptions, some of a general and some of a specific nature. Our valuation is based upon certain information supplied to us by others. Some information we consider material may not have been provided to us. All of these matters are referred to in the relevant sections of this report.

We recommend that you satisfy yourself on all these points, either by verification of individual points or by judgement of the relevance of each particular point in the context of the purpose of our valuation. Our valuation should not be relied upon pending this verification process.

We confirm that we are not excluded under the Building Societies Act 1989 (Section 13) in carrying out this report. The surveyor who has completed this report has appropriate experience in valuations of this type.

22. CONFIDENTIALITY

Finally, in accordance with the recommendations of the RICS, we would state that 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 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.
We trust that the above is satisfactory for your purposes, but if we can be of any further assistance then please do not hesitate to contact us.

Yours faithfully,

KAREN ST HELEN, BSc (Hons) MRICS
RICS Diploma Number: 1128673

MARK FRANCIS, BSc MRICS
RICS Diploma Number: 0083484

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www.londonssurveyors.london
Appendix 1

LETTER OF INSTRUCTION
Appendix 2

LOCATION MAPS

STREET MAP
Appendix 3

LAND REGISTRY EXTRACT
Appendix 4

ANCILLARY PHOTOGRAPHS

FRONT ELEVATION – KIOSK

KIOSK
200 and 202 Shaftesbury Avenue, London, WC2H 8JL

KIOSK

FRONT ELEVATION – RESTAURANT
RESTAURANT BASEMENT

RESTAURANT BASEMENT / PREPARATION AREA
RESTAURANT BASEMENT WC

RESTAURANT GROUND FLOOR
FLAT 3 – LOUNGE / KITCHEN

FLAT 3 – LOUNGE
FLAT 3 – MEZZANINE BEDROOM

FLAT 3 – BATHROOM
FLAT 5 - UTILITIES ROOM
Appendix 5

ENERGY PERFORMANCE CERTIFICATES
Appendix 6

VALUATION PRINT OUT