

**Market Value Report
for
Home Park
Plymouth Argyle
Football Club**

**Report for:
Plymouth City Council**

**Prepared by:
DVS
Valuation Office Agency**

Case Number: 1384722

Date: 17 October 2011

Contents

1. Introduction	4
2. Executive Summary	4
3. Background To The Valuation	4
4. Summary Of The Offer From Green Pilgrim	4
5. Valuation Parameters	5
5.1 Subject of the Valuation	5
5.2 Purpose of Valuation	5
5.3 Basis of Valuation	6
5.4 Assumptions	6
5.5 Date of Valuation	6
5.6 Date of Inspection	6
5.7 Extent of Survey	6
5.8 Tenure	7
5.9 Onerous Easements & Restrictions	7
5.10 Information Provided	7
6. Property Information	7
6.1 Situation	7
6.2 Description	7
6.3 Site Area	8
6.4 Accommodation	8
6.5 Defects and Repair	8
6.6 Services	8
6.7 Access & Highways	8
6.8 Energy Performance Certificate	8
6.9 Planning	8
6.10 Contamination	8
6.11 Mineral Stability	9
6.12 Council Tax Band or Rateable Value	9
7. Valuation	9
7.1 Valuation Methodology	9
7.2 Comparable Evidence	9
7.3 Opinion of Value	10
7.4 Market Commentary	11
8. General Information	13
8.1 Costs of Sale or Acquisition	13
8.2 VAT	13
8.3 RICS Valuation Standards	13
8.4 'Disclosure of any Material Involvement'	13
8.5 Publication	13
8.6 Responsibility	13
8.7 Validity	14

9. Recommendations..... 14

10. Further Property Services..... 14

11. Appendices..... 15

 11.1 Plan 16

 11.2 VOA Standard Terms of Business..... 17

1. Introduction

We refer to your instructions dated 3 October 2011 and our letter of confirmation dated 11 October 2011. The property has now been valued; hence we are pleased to report to you as follows:

2. Executive Summary

The property comprises a Professional Football Ground currently owned and occupied by Plymouth Argyle Football Club.

Our Opinions of Value are as follows:

1. The Market Value of the Freehold interest with vacant possession in Home Park is £2,400,000 on the basis of a stadium for football or other similar sporting events.
2. Under the proposals of Green Pilgrim, the Market Rental Value of Home Park is £135,000 and the Market Value is £1,600,000 on the basis of an ongoing football club.
3. The value of the retained land, Higher Home Park is £ 425,000 assuming hotel and other leisure uses within the guidance in the Council's Central Park Action Area Plan.
4. The value of the retained land. Higher Home Park is £200,000 assuming that all restrictive covenants remain in place

3. Background to the Valuation

Plymouth City Council owned Home Park and leased it to Plymouth Argyle Football Club up until 2007 when the Club agreed a purchase of the stadium. At the time the Club was playing in the Championship. In March 2011 the club was put in administration. A local company, Green Pilgrim is in discussions to acquire the club from the administrators and has also approached the Council with a proposal to sell the ground to the Council and lease it back to the Club to release working capital for the club.

4. Summary of the Offer from Green Pilgrim

The relevant terms of the offer from Green Pilgrim are summarised below:

- A Sale of the stadium to Plymouth City Council and the grant of a Lease of the stadium to the Football Club. The sale price proposed is £1,600,000 and the Minimum Guaranteed Rent proposed is £135,000 per annum

- The lease will be for 10 years with the tenant being responsible for all repairs and insurance of the Stadium. There will be two options for the Tenant to renew for a further 10 years, so giving a total 30 year letting period.
- Rent reviews will be at five year intervals and the rent increased in line with the Consumer Prices Index subject to a minimum increase of 2% per annum and a maximum increase of 4% per annum. There are provisions for additional rent to be paid if the Club spends any season in the Championship or Premiership.
- An option by the Football Club to purchase the stadium from Plymouth City Council at an option price of 12 times the Minimum Guaranteed Rent. This option can be exercised at each fifth year of the lease and its renewals.
- The Football Club will not sell all of the land forming the stadium to the Council, but will retain an area shown edged in green on the plan in the attached appendices. Restrictive Covenants that restrict use of the land to a football stadium and ancillary uses would be lifted to allow the Club to develop this area as possibly a Hotel and other leisure uses.

5. Valuation Parameters

5.1 Subject of the Valuation

Home Park Football Ground, Central Park, Plymouth.

5.2 Purpose of Valuation

The valuations are required to assist Plymouth City Council is assessing a proposal by Green Pilgrim, a special purpose company that proposes to acquire Plymouth Argyle Football Club to sell Home Park to the Council and lease back the ground to continue it's use as a football ground.

Specifically you require the following valuations:

1. The Market Value of the football stadium as it currently stands and subject to the restrictions set out in the transfer from Plymouth City Council to Plymouth Argyle FC.
2. The Market Value of the part of the stadium excluding land to be retained by Green Pilgrim and assuming a lease back to Green Pilgrim on the basis set out in an e-mail dated 2 October 2011.
3. The Market Value of the land known as Higher Home Park that is to be retained by Green Pilgrim and assuming that the restrictive covenants relating to the whole of the stadium are lifted from this part of the site and that the option for a transfer of land available to the Council is also extinguished.

4. The value of Higher Home Park assuming all covenants relating to the stadium are in place.

5.3 Basis of Valuation

The basis of valuation adopted for the Capital Valuations is Market Value which is:-

“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.”

The basis of Rental Valuation for the Rent proposed under the lease reflects the terms of the lease that have been notified to us.

5.4 Assumptions

For the Market Value assessment of the ground we have assumed that there is no special purchaser for the club as a going concern.

For the specific proposal put forward by Green Pilgrim we have assumed that the club is the only likely tenant for the stadium in its current configuration.

For the retained land (Higher Home Park) we have assumed that the land is subject to the planning restrictions in the adopted Action Area Plan. This assumption is in accordance with your instructions dated 3 October 2011.

For general assumptions, please refer to Section 7 of the VOA “Standard Terms of Business” included in the appendix.

5.5 Date of Valuation

The date of valuation is the date of this report and will remain valid for six months.

We would draw your attention to the fact that values change over time and that a valuation given on a particular date may not be valid on an earlier or later date.

5.6 Date of Inspection

For expedience and the urgency of this report the property has not been inspected internally for this valuation. It has been inspected internally for previous valuation reports in 2007 and we assume has not changed materially in the intervening period.

5.7 Extent of Survey

An external inspection only of the property was undertaken.

For more detail of the extent of survey, please refer to Section 2 of the VOA “Standard Terms of Business” included in the appendix.

5.8 Tenure

Freehold with vacant possession

Under the proposals summarised above, the main part of the site will be leased by Plymouth City Council to Plymouth Argyle FC. The land edged green will be retained by the Football Club. The area edged blue is subject to a lease to a third party for communications.

5.9 Onerous Easements & Restrictions

Under the restrictive Covenants set out in the 2007 transfer from Plymouth City Council to Plymouth Argyle Football Club, the property can only be used as a Professional Football Stadium along with associated uses ancillary to that use.

5.10 Information Provided

A copy of the transfer document by which the ground was sold by Plymouth City Council to Plymouth Argyle FC.

A copy of an extract from the adopted Action Area Plan.

Confidential cash flow projections provided by Green Pilgrim.

The Heads of Terms for the proposed sale by Plymouth Argyle FC (via Green Pilgrim) to Plymouth City Council as set out by Green Pilgrim.

We have assumed that all information provided by you with regard to details of tenure, and all other relevant information is correct. Advice will, therefore, be dependent upon the accuracy of this information and should it prove to be incorrect or inadequate, the accuracy of the valuation and any other advice given in this report may be affected.

6. Property Information

6.1 Situation

The property is well known to the Council who have previously owned the ground. It is located on the western side of Central Park on the A386 Outland Road, a main route into the city centre from the north.

6.2 Description

The property is a purpose-built football stadium with single tiered seated grandstands on three sides built in 2001. The main Grandstand (the Mayflower Stand) was built in the 1950s and houses seating, standing terraces, changing rooms, directors boxes and function rooms. There is open land on the south side of the main stadium used as car parking and housing temporary office accommodation and the club shop. The ground capacity is understood to be approximately 16,300 people, all in seating. There is an area of standing

terracing in the Mayflower Stand, however we understand that this is no longer used under Football League regulations

6.3 Site Area

The total site area has been measured to be approximately 4.3 Hectares. The site that is proposed to be retained (Higher Home Park) is approximately 0.92 Hectares leaving a net area to be acquired by Plymouth City Council of 3.38 Hectares. The land subject to an option to purchase in favour of Plymouth City Council is approximately 0.59 Hectares.

6.4 Accommodation

The property comprises the main grandstands with WC facilities, food and drink outlets underneath. The main grandstand contains seating, offices, changing rooms and showers/WCs, physiotherapy rooms, bars, functions rooms and ancillary storage accommodation.

6.5 Defects and Repair

It is assumed that there are no major defects or wants of repair in the structures and buildings. The modern stands are around 10 years old and the Mayflower Stand is approximately 60 years old and as such will require ongoing maintenance and repair. The lease terms proposed say that the tenant, Plymouth Argyle FC would be liable for repairs and insurance but that a condition survey will be undertaken to establish the condition of the buildings prior to the commencement of the proposed lease.

6.6 Services

It is assumed that all mains services are connected to the stadium.

6.7 Access & Highways

It is assumed that Outland Road and Gilbert Lane are adopted as highways maintainable at the public expense.

6.8 Energy Performance Certificate

No Energy Performance Certificate has been seen. We assume that one is available but that its contents would not have an effect on value.

6.9 Planning

The Council has supplied us with a copy of the Central Park Action Area Plan to cover the planning situation for the stadium. Therefore no enquiries have been made of the Planning Authority on the planning status and potential and it is assumed that there are no planning proposals that adversely affect the property.

6.10 Contamination

No site survey has been undertaken to establish the presence of contamination. It is assumed that no contamination exists however no warranty can be given that none exists.

6.11 Mineral Stability

The property is not in an underground mining area and a Mining Subsidence Report has not been obtained.

6.12 Council Tax Band or Rateable Value

The Rateable Value in the Non-Domestic Rating List is currently £270,000

7. Valuation

7.1 Valuation Methodology

In forming our opinion of value we have considered three main approaches that could be used to estimate the Market Value of the Stadium as a football club.

1. A profits method: This involves looking at known or estimated income or turnover of the entity and deriving rental and capital values from this information. This reflects the actual position that the entity is in, in terms of gate receipts and other sources of income. Since the football club is in administration there is little information on this available at present.
2. Comparable approach: Evidence of other lettings of sporting stadiums has been gathered. We have contacted parties to such lettings to establish the facts of each letting as far as possible to enable meaningful analysis of these transactions. This provided useful, albeit limited, evidence to support our opinions of value. Rental and capital transactions have been analysed to assist in supporting our opinion of value.
3. Contractors Approach: This assumes there is no market for the property as existing and that the occupier would have to rebuild the property to replace it as there would be no similar property available for him to purchase.

7.2 Comparable Evidence

We have been provided with information as detailed below concerning the following transactions.

Colchester Community Stadium: A purpose built modern all-seated football and sports stadium built in 2008 at a cost of approximately £14m and let to a Stadium operating company at a rent of £300,000 per annum for an initial term of 10 years. The capacity of the stadium is approximately 10,100 seats.

Peterborough United FC - London Road Stadium: A purpose built football stadium, part seated and with terraces at either end of the pitch and with roofs on all four sides. The main grandstand was built in the 1980s and the remainder are older. The rent is £253,000 per annum set in 2009. The stadium capacity is understood to be approximately 15,400 people.

Crystal Palace FC - Selhurst Park football ground: A purpose built football stadium, all seated in stands of various ages although some are fairly modern. The stadium is let at an annual rent of £1,248,000 from 2003 for 25 years. The capacity of the ground is approximately 26,300 seats. This does not appear to be an arms length transaction and no details have been obtained about the letting.

A purpose built football stadium Wales with permanent and temporary stands and terraces of various ages. The stadium is let to a football club on an annual licence of £15,000 per annum with additional matches charged at £375 per match. The capacity of the ground is approximately 5000 people.

There is other evidence available of lettings and transactions involving capital sums although none appear to be arms-length sales of lettings of stadiums.

The nature of some of the transactions is that they are distress lettings or lettings based on ability to pay, where the Landlord is the Local Authority and they have intervened to enable the football club to remain in business. Therefore such transactions cannot be treated as true open Market Value transactions involving willing vendor and purchaser or landlord and tenant.

The characteristics of the remainder of the transaction evidence is that the ground is let between two private individuals, but the two parties are related companies and the rental or capital transaction is therefore not negotiated in the open market and cannot be regarded as good evidence. However in the absence of true arms length evidence both scenarios outlined above can give some guidance to the levels of value that might be appropriate.

7.3 Opinion of Value

Our opinions of value for the different scenarios that we have been asked to consider are as follows:

- a) Our opinion of the current market value of the freehold interest in Home Park (The Football stadium including Higher Home Park), subject to the restrictive covenants on use set out in the transfer document and mentioned above but assuming that any potential occupier would be interested in occupying the ground is **£ 2,400,000** (Two million, four hundred thousand pounds). The Market Value of the stadium is based on the covenants in the transfer document by which the freehold stadium was transferred to Plymouth Argyle FC restricting use to a football stadium and ancillary uses.
- b) You have asked for our opinion of the Market Value of the freehold interest in Home Park, subject to the lease-back of the football ground to Green Pilgrim and excluding the area of land known as Higher Home Park and shown edged green on the attached plan. This is on the basis of the terms set out in an e-mail dated 2 October 2011, namely that a minimum guaranteed rent of £135,000 is paid and the acquisition price is £1,600,000. The rent is subject

to review at five year intervals in line with the Consumer Prices Index and subject to a collar of 2% and a cap of 4%. Our opinion of this transfer is that the suggested purchase price of **£1,600,000** is reasonable given the terms of the whole transaction but subject to our comments below. The definition of Market Value assumes an arms length transaction between two individuals who are under no compulsion to proceed with the transaction, however in this case this acquisition is related to a transaction to acquire the club out of administration.

- c) You have also asked for our opinion of the Market Value of Higher Home Park on the both on the basis that the restrictive covenants mentioned above are lifted and that it is subject to the overall planning Area Action Plan for Central Park and that the restrictive covenants remain in place. Our opinion of the Market Value of this land assuming restrictive covenants are lifted is **£425,000** (Four hundred and twenty five thousand pounds). On the basis that all restrictive covenants remain in place, my opinion of the Market Value of this land is **£200,000** (Two hundred thousand pounds). We have assumed that only uses compliant with the provisions of the Central Park Action Area plan would be permitted in either case.

7.4 Market Commentary

As noted above, evidence to support the opinion of value given is sparse and in all cases there is a relationship of some form between the parties to the transaction. Therefore the evidence is not regarded as being truly at arms length. Rental streams can be converted to capital value by use of a multiplier known as the Years Purchase. Evidence to support the assessment of the appropriate Years Purchase for stadiums is virtually non-existent and my opinion is based on what is reasonable given the uncertainty of income and the associated risks and rewards of ownership. This uncertainty arises because the rental is ultimately reliant on the fortunes of the football club and the business model being sustainable in the long term.

We have reviewed the proposals set out by Green Pilgrim and reflecting the values shown at b) above. No doubt the Council's legal and financial advisers are reporting separately on the proposal but we have the following comments:

- The option price for Green Pilgrim to purchase the stadium back from the Council is set at 12 times the Minimum Guaranteed Rent and the option can be exercised on each fifth year of the lease term.
- The rent review is by reference to the Consumer Price Index (CPI) subject to a minimum of 2% and maximum of 4%. In the first part season the projected income is £2,095,797; the Minimum Guaranteed Rent (MGR) represents 6.4% of the total income.
- In the cash flow projections that we have seen, ticket sales are projected to be £863,000 in the first part-season including £100,000 of season ticket sales plus a receipt of £700,000 for season tickets already sold whilst the

club has been in administration. This makes a total for ticket sales of 1,563,000. Total income for the part season is projected to be £2,095,797 with a total expenditure of 3,479,245. In the full season from July 2012 to June 2013, ticket sales are projected to increase to a total of £2,392,368, the total income is projected to increase to £4,345,512 and the total expenditure is projected to be £4,534,754. In the first part season, the Minimum Guaranteed Rent of £135,000 represents 8.6% of ticket sales and 6.44% of total income. In the second year the MGR represents 5.6% of ticket sales and 2.97% of total income. If the fortunes of the club improve significantly in the five years to the first review date (and any assessment of how the club will fare and how attendances will change is entirely speculative), then the review rent tied to the CPI might not be adequate and a different mechanism (say relating to ticket sales) may represent better value for money to the Council. Equally if the club's fortunes falter further and attendances reduce, then a mechanism based on CPI may be better. The advantage of the CPI mechanism is that it gives the Council greater certainty over the rent increase, because at worst, at the minimum increase of 2% per annum, the rent would increase to £146,128 per annum in the fifth year. It is also worth pointing out that despite these projected increases in income, expenditure increases as well and the Club makes a loss in the first two seasons so pressure on the rent is greater at this early stage.

- It is unclear whether the option price is for the rent before review or after the review of rent that takes place at the same time, but it would be prudent to make this explicit in the contract. The Option price based on the existing review proposal would be a minimum of £1,753,540.
- There are provisions for additional rent to be paid for any season that the club is in the Championship or the Premiership; namely, 150% of MGR whilst in the Championship and 300% of MGR whilst in the Premiership. We have no evidence of these types of clauses in other agreements and it is difficult to comment on whether these multipliers are adequate.
- There is a provision for the Council to release the covenants relating to the land that Green Pilgrim wishes to retain, known as Higher Home Park and shown on the attached plan edged green. These Covenants are similar to those policies within the Plymouth City Council's Action Area Plan for Central Park. For the release of these covenants Green Pilgrim proposes that an overage clause giving Plymouth City Council 50% of any Development Profit in excess of a developer's profit of 15% of developers costs. In our opinion this is a complex calculation and it may be very difficult for the Council to analyse the costs of any development to get to the developers profit. We understand that an alternative mechanism related to the uplift in value of the land for development for any non football use is proposed, which will be easier to measure and determine.
- We understand that the proposals for the lease also provide for Green Pilgrim to pay additional rent based on 10% of the rent for occupation for non-football purposes.

8. General Information

8.1 Costs of Sale or Acquisition

It is assumed that both parties to any proposed transaction would bear their own proper legal costs and surveyor's fees.

No allowance has been made for liability for taxation that may arise on disposal.

8.2 VAT

It is understood that VAT is applicable and the stated opinion of value has due regard to this fact. In the event that this understanding is found to be inaccurate, the valuation should be referred back for reconsideration.

8.3 RICS Valuation Standards

The valuation has been prepared in accordance with the RICS Valuation Standards - Global and UK, 7th Edition, except where agreed departures have been made (detailed above) in accordance with your instructions. In accordance with RICS requirements it is confirmed that the valuer is registered with RICS and has the appropriate knowledge, skills and understanding to undertake the valuation competently.

8.4 'Disclosure of any Material Involvement'

DVS has had previous involvement with the property. The details are as follows:

Valuation advice was provided in 2006 when Plymouth Argyle approached the Council with an offer to purchase the freehold of the stadium that was let to the Club by the Council.

8.5 Publication

The client will not make available to any third party or reproduce the whole or any part of the report, nor make any reference to it, in any publication without our prior written approval of the form and context in which the disclosure may be made.

8.6 Responsibility

The valuation report should only be used for the purpose stated therein, and no responsibility is accepted to any Third Party who may seek to rely on the content of the report unless previously agreed.

8.7 Validity

This report remains valid for 6 (six) months from its date unless market circumstances change or further or better information comes to light, which would cause us to revise our opinion.

9. Recommendations

- 9.1 The acquisition of Home Park by the Council on the terms set out by Green Pilgrim are largely acceptable in terms of representing value for money to the Council in current market condition. We recommend that the rent review provisions be considered carefully to ensure that the Council is happy with the way they will work. The option to base rent on ticket income should be considered and discussed with the Council's auditors as either method of assessing the rent is subject to risk.

It is recommended that the overage conditions relating to Higher Home Park be reviewed to ensure the overall deal give value for money to the Council.

10. Further Property Services

DVS can also provide the following further services in connection with this proposal:

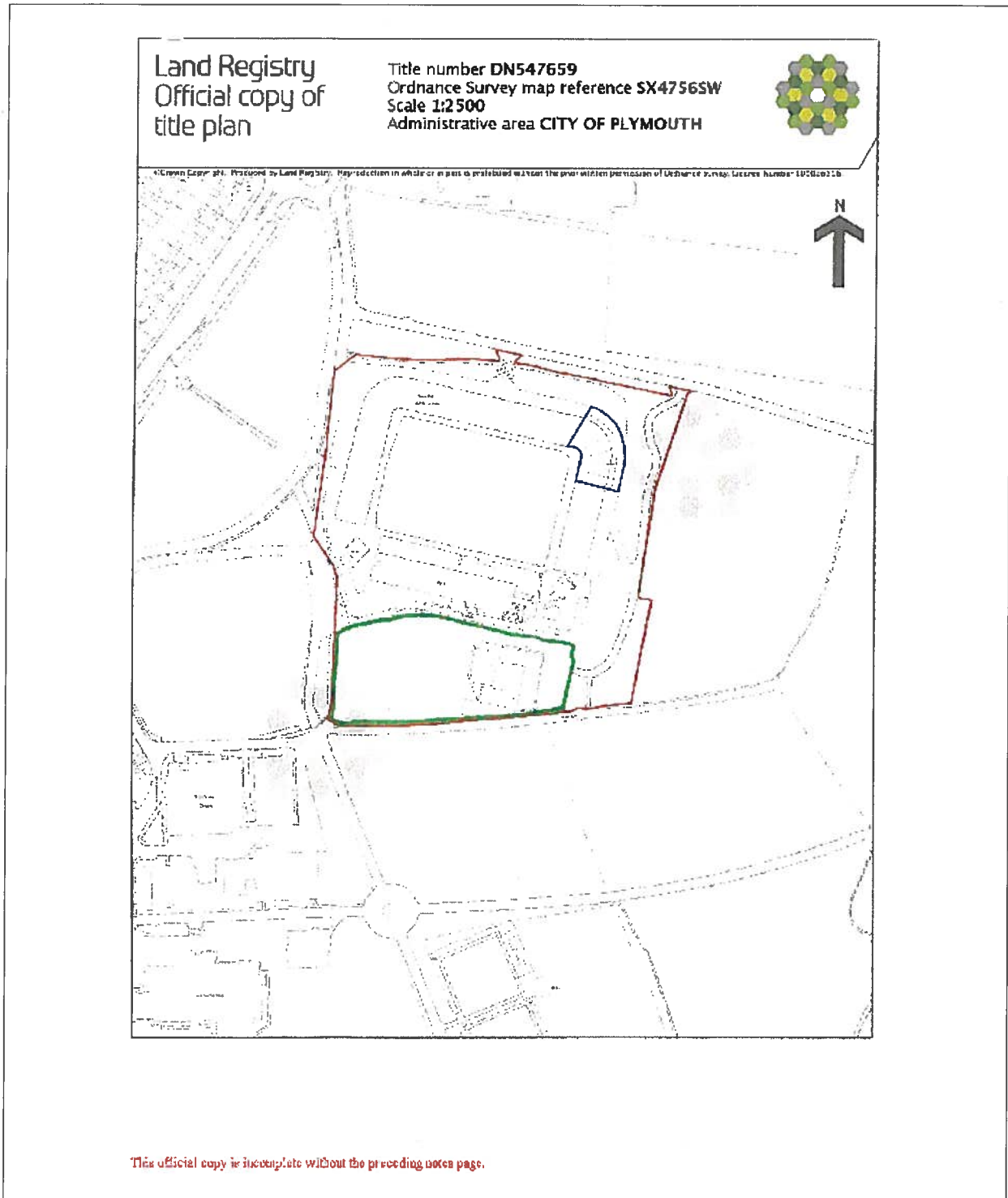
- Full or Basic Condition Surveys
- Details of local marketing agents
- Energy Certificates / Environmental Assessments
- Planning Enquires

We trust that the above report is satisfactory for your purposes. However, should you require clarification of any point do not hesitate to contact me further, as above.

DVS
Valuation Office Agency

11. Appendices

11.1 Plan



11.2 VOA Standard Terms of Business

THE VALUATION OFFICE AGENCY – DVS DVS is the commercial arm of the Valuation Office Agency

STANDARD TERMS OF BUSINESS FOR VALUATIONS

This document details the standard terms upon which the Valuation Office Agency will provide valuations and will be referred to when instructions are confirmed for each case. Any specific variations from these standard terms which are required and have been agreed for a case will be captured in the confirmation of instructions document. The two documents are to be read together as a single document. Any variations subsequently agreed following the initial settlement of terms must be agreed before the report is delivered.

We are pleased to discuss variations and to arrange the provision of extended or additional services such as consultancy, building and other surveys and contamination reports.

The RICS Valuation Standards – Global and UK, 7th Edition, apply to the majority of valuations, but you may instruct the Agency to depart from the Practice Statements where necessary and any such departures will be noted in the report. Any variations will be dealt with on a case specific basis.

1. **Inspection and Investigations**

Such inspection of the property and investigations as the Valuer decides is professionally adequate and possible in the particular circumstance will be undertaken, unless you instruct otherwise. Where valuations have to be made on restricted information, the nature of the restrictions will be agreed between the parties.

2. **Survey**

No detailed site survey, building survey nor inspection of covered, unexposed or inaccessible parts of the property will be undertaken, nor the services tested and the Valuer will have regard to the apparent state of repair and condition, assuming those parts not seen are in good condition. No responsibility can therefore be accepted for identification or notification of those defects that would only be apparent following such a survey or inspection. If the Valuer decides further investigation to be necessary, separate instructions will be obtained from you.

The Agency's Building Surveyors can undertake building and many other surveys subject to a separate fee.

3. **Minerals**

If the property is situated in an underground mining area where there is a risk of damage from underground mining subsidence a report from the Agency's Mining Specialists is normally obtained, unless the client instructs otherwise.

This report would be subject to a separate fee.

4. **Basis of Valuation**

The basis on which the valuation is to be carried out will be stated in the Confirmation of Instructions letter. If you have any query on the nature or appropriateness of the basis this should be raised immediately with the Valuer.

The bases most often used are defined below; unless otherwise stated these are taken from the RICS Valuation Standards – Global and UK, 7th Edition.

4.1 **Market Value (MV)** VS 3.2 defines MV as: *“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”*

4.2 **Market Rent (MR)** is based on the definition of Market Value and is the basis to be used when valuing on a rental basis when lease terms are not known or provided to the valuer. VS 3.3 provides that valuations based on MR shall adopt the definition settled by the International Valuation Standards Committee, as follows:

“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.”

4.3 **Existing Use Value (EUUV)** is to be used only for valuing property that is owner-occupied by a business, or other entity, for inclusion in Financial Statements. UKVS 1.3 defines EUUV as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.”

4.4 **Existing Use Value for Social Housing (EUUV-SH)** is to be used only for the inclusion in Financial Statements of housing stock held for social housing. It is defined at UKVS 1.13 as:

“Existing Use Value for Social Housing is 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, subject to the following further assumptions that :

- *the property will continue to be let by a body pursuant to delivery of a service for the existing use;*
- *at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor’s ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body’s requirements;*
- *properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession; and*
- *any subsequent sale would be subject to all of the above assumptions.”*

4.4 **Depreciated replacement cost (DRC)** International Accounting Standards stipulate that DRC may be used as a method for reporting the Market Value of Specialised Property in Financial Statements. It is defined at para.2.3 of GN6 as:

“The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.”

It is also used as a Basis of Valuation in UKGAAP based accounting and the parties should agree in which context it is being used.

- 4.6 **Value of Plant & Equipment to the Business (VPEB)** is used for inclusion in Financial Statements. UKVS 1.11 defines VPEB as:

'An opinion of the price at which an interest in the plant & equipment utilised in a business would have been transferred at the date of valuation, assuming:

- (a) that the plant & equipment will continue in its present use in the business;*
- (b) adequate potential profitability of the business, or continuing viability of the undertaking, both having due regard to the value of the total assets employed and the nature of the operation;*
- (c) that the transfer is part of an arm's length sale of the business wherein both parties acted knowledgeably, prudently and with out compulsion.'*

- 4.7 Where the Valuer is aware of the possibility of Special Value attaching to property arising for example from the physical, functional or economic association with some other property, the basis of valuation may be modified and a Special Assumption added to reflect the relevant circumstances. Any other Special Assumptions necessary will be agreed before the report is issued. Special Value and Special Assumptions are defined in the RICS Valuation Standards - Global and UK, 7th Edition.

5. **Planning**

When it is relevant to the valuation, enquiries may be made at the Valuer's discretion of the Local Planning Authority as to the planning status and potential of the property. A brief statement of the outcome or assumptions made will be included in the report.

6. **Machinery and Business Assets (Plant & Machinery)**

Unless otherwise instructed (e.g. if undertaking a plant and machinery valuation) valuations will normally exclude machinery and business assets (e.g. process plant, machinery & equipment) except where it is considered to be an integral part of any building or structure and essential for its effective use, i.e. building services installations which are normally included in valuations of land and buildings.

The Agency's Machinery and Business Assets Valuers can value your process items subject to a separate fee.

7. **Assumptions**

When reporting, the following assumptions will normally be made which the Agency will not verify as part of the valuation process unless they are prima facie incorrect or unreasonable.

- that no deleterious or hazardous materials or techniques were used in the construction of the property or have since been incorporated;
- that good title can be shown and that the property is not subject to any unusual or 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 construction of the property nor its condition, use or intended use was, is or will be unlawful or in breach of any covenant;
- that inspection of those parts that have not been inspected would neither reveal defects nor cause material alteration to any valuation;
- that all information provided by you with regard to the purpose of the request and details of tenure, tenancies, planning consents and all other relevant information is correct. The

advice will therefore be dependent on the accuracy of this information and should it prove to be incorrect or inadequate the Basis or the accuracy of any valuation may be affected;

- that no environmental assessment of the property will be provided to or by the Agency, nor is the Agency instructed to arrange consultants to investigate any matters with regard to contamination or presence of radon gas. It will be assumed that the property (including its site) and neighbouring properties are free of radon gas and not contaminated and no search of contaminated land registers will be made. However if an inspection is made and obvious signs of contamination are visible this will be reported to you and further instructions will be requested from you. In such circumstances it is recommended that further investigations are undertaken.

The Agency's Environmental Specialists are available to undertake assessments subject to a separate fee

- that there has been no recent flooding affecting the property or that any representation of the property on any map identifying possible flood occurrences will have no effect on value.
- that no access audit will be undertaken to ascertain compliance with the Equality Act 2010 and that the premises are compliant.

The Agency's Building Surveyors can undertake such audits subject to a separate fee.

- In the case of trading related properties the Valuer will assume that all licences, fire certificates and permissions required to operate the business will be transferable to a purchaser.

8. **Validity**

Current valuations, i.e. those agreed with you as being required as at the date of the report, are subject to a validity period, normally of 3 or 6 months, and this will be stated in the report. Reliance should not be placed on the valuation beyond that period, nor if further or better information relevant to the valuation comes to your attention, without reference back to the VOA for an updated valuation.

9. **Fees**

The Confirmation of Instructions letter will state the basis of fee payable for the case concerned, unless already agreed elsewhere with you – fees are rounded up to the nearest £10 before any applicable VAT is added. Our fees are payable by our client within 30 days from the receipt of our invoice whether or not the amount is disputed or is being passed on to a third party for reimbursement. The VOA reserves the right, subject to prior notification of details of time spent, to invoice at suitable points during the financial year for work in progress undertaken but not yet formally reported. Where a case is cancelled before completion, our fees will be calculated on a 'work done' basis with added reasonable disbursements unless alternative arrangements have been agreed.

10. **Publication**

The client will not make available to any third party or reproduce the whole or any part of the report, nor make reference to it, in any publication without our prior written approval of the form and context in which such disclosure may be made.

11. **Responsibility**

The valuation report should only be used for the purpose stated therein, and no responsibility whatsoever is accepted to any Third Party who may seek to rely on the content of the report unless previously agreed.

12. **Commercial Confidentiality and Freedom of Information**

We will do all that we can to keep any information gathered or produced during this assignment confidential. The Freedom of Information Act 2000 or Environmental Information Regulations 2004, and subordinate legislation, may apply to some or all of the information exchanged between yourself and the Valuation Office Agency under this engagement. Therefore the Valuation Office Agency's duty to comply with the Freedom of Information Act may necessitate, upon request, the disclosure of information provided by you unless an exemption applies.

The Valuation Office Agency undertakes to make reasonable endeavours to discuss the appropriateness of disclosure, or the applicability of any exemptions allowed by the Act, with you prior to responding to any third party requests. However, the Valuation Office Agency reserves the right to comply with its statutory obligations under the Act in such manner as it deems appropriate.

The Valuation Office Agency requires you to make all reasonable endeavours to discuss with us the appropriateness of disclosure, or the applicability of any exemptions allowed by the Act, prior to your responding to any third party requests for information provided to you by the Valuation Office Agency.

13. **Previous Involvement**

The VOA will disclose any previous material involvement with the property or state that there has been no such involvement.

14. **Quality Assurance, Complaints Handling Procedure and RICS Regulation**

The valuation will be carried out by a RICS Registered Valuer who has the appropriate knowledge skills and understanding to undertake the valuation competently.

The VOA operates a rigorous QA/QC system. This includes the inspection by Team Leaders of a sample of work carried out during the life of the instruction together with an audit process carried out by experienced Chartered Surveyors upon completion of casework. This includes a feedback cycle to ensure continuous improvement.

The Agency has a comprehensive complaints handling procedure if you are not getting the service you expect. If you have a query or complaint it may be best to speak first to the person you have been dealing with or their manager. If you remain dissatisfied you should be offered a copy of our brochure "Putting things right for you". If it is not offered to you, please request a copy or access it on our website www.voa.gov.uk.

It is possible that the RICS (Royal Institution of Chartered Surveyors) may at some stage ask to see the valuation for monitoring purposes.

15. **Currency**

Unless otherwise stated, all prices or values are stated in pounds sterling.