



SAM Conveyancing

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VALUATION REPORT

IN RELATION TO THE PREMISES

KNOWN AS

[PROPERTY ADDRESS]

DATED

FRIDAY 7TH OCTOBER 2022



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Example

7th October 2022

[OWNER NAME]

[PROPERTY ADDRESS]

Dear Mr,

Re: [Property address]

We refer to your instructions to provide a valuation of the above property. We understand the property is owned freehold.

Our inspection of the property was undertaken on Tuesday 4th October 2022. The weather conditions were mild with 20% high cloud cover, no rain, no wind and a temperature of approximately 18 Celsius.

We have now had the opportunity to research the material provided and make the usual enquiries and would report on our findings.

This appraisal is based on the property as described within Part A of this report, subject to any information sources and assumptions as set out in Part B of this report.

We would particularly draw your attention to the definitions of value and information contained in Part B and recommend that you verify matters appertaining to condition of the site and buildings and that solicitors confirm that all tenure, lease, planning information and land contamination issues contained with the property are correct.

This survey and valuation were prepared by [Surveyor's Name] of [Surveyor Company Name]. The valuer is an RICS Registered Valuer and as such is in a position to provide an objective and unbiased valuation and there is no material connection or involvement with the subject of the valuation assignment or the parties commissioning the assignment. We confirm that the valuer is competent to undertake the valuation. We confirm that there is no conflict of interest preventing us from providing an independent valuation.

The valuation is prepared in accordance with the 2020 International Valuation Standards (IVS) issued by the Royal Institution of Chartered Surveyors within the Valuation Professional Standards manual (the Red Book) effective from 31st January 2020.

[Surveyor Company Name] operates a complaints procedure which is available on request.

[Surveyor Company Name] complies with the Rules of Conduct of firms and our compliance may be subject to monitoring under the RICS Conduct and Disciplinary Regulations.

Yours sincerely

Signature

Prepared by: [Surveyor's name]

Example

PART A

A.1 LOCATION

The subject property is set on the south side of [Street] in [Town], Berkshire.

The immediate area is residential in nature comprising a local authority estate of post-war terraced and semi-detached houses.

The property is about one kilometre from local shopping and amenities in Sunningdale town centre.

The area is well served by public transport with local bus services nearby and Sunningdale mainline station within walking distance.

The property is close to the A30 and M3 motorway for routes to the southwest and into central London.

DESCRIPTION

A.2

The subject property comprises a two storey three bedroom semi-detached house constructed c.1950 and extended in more recent years.

The property is well maintained and in reasonable decorative condition.

ACCOMMODATION

A.3

The accommodation has been calculated from measurements taken on site. Measurements are in accordance with guidance notes set out in the Royal Institution of Chartered Surveyors/Institute of Surveyors Valuers and Auctioneers Code of Measurement Practice.

The accommodation of the residential property is as follows:

Ground Floor

Reception Room	-	16.75 sqm
Dining Room	-	17.30 sqm
Kitchen	-	6.30 sqm
Shower Room	-	3.35 sqm
WC	-	1.70 sqm
Utility Room	-	4.25 sqm

First Floor

Bedroom One	-	11.05 sqm
Bedroom Two	-	8.55 sqm
Bathroom	-	3.15 sqm

Second Floor

Bedroom Three	-	15.55 sqm
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Gross internal area - 120 sqm

A.4 SERVICES

The property has the benefit of mains gas, electricity, water and drainage. These were not tested but appear to be in good working order.

A.5 CONDITION

In accordance with your instructions, we have not carried out a building survey nor have we inspected woodwork or other parts of the property which are covered, unexposed or inaccessible and such parts will be assumed to be in good repair and condition.

The report does not purport to express an opinion about or to advise upon the condition of uninspected parts and should not be taken as making any implied representation or statement about such parts. We are unable to state that any part of the premises is free from rot, beetle, corrosion or other defects.

We have not arranged for any investigation to be carried out to determine whether or not high aluminium cement concrete or calcium chloride additive or asbestos or any other potentially deleterious material has been used in the construction of this property or has 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 in any adverse conditions.

No specialist test or inspections have been carried out on the electrical, mechanical, drainage or other service installations and no warranty is given as to the condition of these items.

This report excludes any investigation into structural engineering design or compliance with legislation relating to buildings, building regulation or by-laws.

A.6 TENURE

We understand the premises are held freehold.

We assume the property has a good and marketable title and is free from any pending litigation. We further assume that all documentation is satisfactorily drawn and that there are no unusual or onerous restrictions, easement, covenants or other outgoings which would adversely affect the value of the relevant interest.

A.7 PLANNING

Where possible, verbal enquiries have been made of the Local Authority's Planning Department. Any information set out below is given in good faith but the client should obtain written planning details to verify all planning consents and obtain confirmation of any current or past enforcement notices. The client should also obtain written verification of whether the property is listed or is a conservation area.

Valuations are prepared on the assumption that the premises comply with all relevant statutory enactments and building regulations and that, where required, a valid and up to date Fire Certificate has been issued. We also assume that all necessary consents and authorisations for the use of the property and the process carried out therein have been obtained and will continue to subsist and are not subject to any risk conditions.

A.8 MARKET COMMENTARY

There have been a reasonable number of sales of similar sized properties in the area over the last year.

The average sale price of comparable properties in the area is a figure in the region of £5627 per square metre, suggesting a value of just over £675,000 for the subject property.

The average is skewed upwards by the smaller [Property 1] sale and downwards by the larger [Property 5] sale and we believe the subject property falls closer to the [Property 4] sale. We would therefore increase this figure to £5800/sqm suggesting a figure of c.£695,000 for the subject property.

The comparable sales overleaf support our valuation figure.

Property	Size sqm	Price	Price per sqm	Notes
Property 1	91	£570,000	£6264	Smaller three bedroom semi-detached house. Less than 200m from the subject property. Sold on the 12 th May 2022.
Property 2	136	£715,000	£5257	Larger three bedroom semi-detached house. Less than 500m from the subject property. Sold 18 th March 2022.
Property 3	135	£800,000	£5926	Larger three bedroom house. Less than 400m from the subject property. SSTC 6 th October 2022.
Property 4	119	£695,000	£5840	Similar sized three bedroom semi. Less than 500m from the subject property. Sold 15 th August 2022.
Property 5	166	£805,000	£4849	Larger four bedroom house. Less than 200m from the subject property. Sold on 1 st June 2022.

A.9 VALUATION

Based upon the assumptions that there are no onerous restrictions or unusual outgoings of which we have no knowledge and subject to the general principles and the specific comments and assumptions which are set out in this report, we are of the opinion that the freehold interest of the subject property in its current condition is a figure in the region of **£695,000 (six hundred and ninety five thousand pounds only)**.

PART B

B.1 DEFINITION OF VALUE

We have prepared our valuation in accordance with the International Valuation Standards issued by the Royal Institution of Chartered Surveyors as set out within the Valuation Professional Standards.

B.2 MARKET VALUE

Definition

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 where the parties had each acted knowledgeably, prudently and without compulsion.

In applying market value, regard must also be had to the conceptual framework set out in paragraphs 31-35 of the International Valuation Standards framework.

31 (a) 'the estimate amount' refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimate price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

(b) 'an asset should exchange' refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the valuation date.

(c) 'on the valuation date' requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.

(d) 'between a willing buyer' refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute 'the market'.

(e) 'and a willing seller' is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner.

(f) 'in an arm's length transaction' is one between parties who do not have a particular or special relationship, eg parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of special value. The market value transaction is presumed to be between unrelated parties, each acting independently.

(g) 'after proper marketing' means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the market value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the valuation date.

(h) 'where the parties had each acted knowledgeably, prudently' presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for the respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

(i) 'and without compulsion' establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

32 The concept of market value presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged.

33. The market value of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises the productivity and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

34. The highest and best use of an asset valued on a stand-alone basis may be different from its highest and best use as part of a group, when its contribution to the overall value of the group must be considered.

35. The determination of the highest and best use involves consideration of the following:

(a) To establish whether a use is possible, regard will be had to what would be considered reasonable by market participants.

(b) To reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, eg zoning designations, need to be taken into account.

(c) The requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

B.3 MARKET RENT

Is 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.

willing lessor and willing lessee....

The change in the description of the parties simply reflects the nature of the transaction. The willing lessor is possessed with the same characteristics as the willing seller, and the willing lessee with the same characteristics as the willing buyer, save that the word 'price' in the interpretive commentary to MV should be changed to 'rent', the word 'sell' changed to 'let' and the word 'buy' changed to 'lease'.

appropriate lease term

MR will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews and the responsibilities of the parties for maintenance and outgoings will all impact on MR. In certain States, statutory factors may either restrict the terms that may be agreed or influence the impact of terms in the contract. These need to be taken into account where appropriate Valuers must therefore take care to set out clearly the principal lease terms that are assumed when providing MR.

If it is the market norm for lettings to include a payment or concession by one party to the other as an incentive to enter into a lease, and this is reflected in the general level of rents agreed, the MR should also be expressed on this basis. The nature of the incentive assumed must be stated by the valuer, along with the assumed lease terms.

MR will normally be used to indicate the amount for which a vacant property may be let, or for which a let property may re-let when the existing lease terminates. Market Rent is not a suitable basis for settling the amount of rent payable under a rent review provision in a lease, where the actual definitions and assumptions have to be used.

B.4 THE PROPERTY

The valuer has inspected and valued the property in accordance with the information supplied to him. Individual property details on which the valuation has been based are set out in the accompanying property report.

All measurements, areas and ages of the properties are approximate. We have carried out a measured survey of the property.

B.5 REPAIR

In the absence of any information to the contrary, it has been assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains, nor hazardous nor deleterious materials present which might adversely affect the present or future occupation, development or value of the property
- (b) the property is free from rot, infestation, structural or design defect
- (c) no investigations as to the presence of or absence of high alumina cement, calcium chloride additive, blue asbestos or any other deleterious material have been carried out, or checks made to establish whether the premises are located on previously contaminated land and our valuation is undertaken on the basis that none of these materials or factors affect the subject premises.

B.6 PLANNING

Verbal enquiries have been made of the relevant Planning Authority as to the possibility of highway improvement proposals, comprehensive development schemes and other ancillary planning matters that could affect planning values. It is assumed that the property has been constructed in full compliance with valid Town Planning and Building Regulation approval and it is not subject to any outstanding statutory notice as to its construction, use or occupation. Unless our enquiries have revealed the contrary, it is further assumed that the existing use of the subject premises are duly authorised or established and that no adverse planning conditions apply.

B.7 TITLES, TENURES AND LETTINGS

Details of title/tenure under which the property is held and of lettings to which it is subject are as supplied to the valuer and set out in the accompanying property report. The valuer has not had access nor generally examined all the deeds, leases and other documents relating thereto and is therefore unable to comment as to whether it is free from any onerous or unusual covenants, restrictions or statutory notices that would affect the value. Where information from these documents is recorded in the report, this represents the valuer's understanding of the relevant documentation.

It should be emphasised that the interpretation of documents of title is the responsibility of your lawyer. It is recommended that legal advisers confirm that the information available and recorded in the report any legal interpretations implied are correct and comprehensive.

B.8 ENVIRONMENT

No environmental tests, research or investigations have been undertaken and consequently the following has been assumed:

- (a) that the properties are not affected by environmental legislation and
- (b) any processes carried out on any of the properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

If any of the above assumptions prove to be inappropriate, the value of the property may be lower.

GENERAL PRINCIPLES ADOPTED IN THE PREPARATION OF VALUATIONS AND REPORTS

For the assistance of clients, we list below the general principles upon which our valuations and reports are normally prepared and they shall apply unless specifically mentioned otherwise in the report.

1. RICS Appraisal and Valuation Manual

All valuations are carried out in accordance with the Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors and are undertaken by appropriately qualified valuers as defined therein.

2. Valuation Basis

All valuations are made on the appropriate basis as agreed with the client in accordance with the provisions and definitions of the Appraisal and Valuation Manual unless otherwise specifically agreed and stated.

The specific basis of valuations adopted in relation to a particular instruction and the definition thereof is detailed in the body of the report to which this document forms an Appendix.

No allowances are made in our valuations for an expenses of realisation, or to reflect the balance of any outstanding mortgages, either in respect of capital or interest accrued thereon.

It should be noted that our valuations are based upon the facts and evidence available at the date of valuation. It is therefore recommended that valuations be periodically reviewed.

3. Information Supplied

We accept as being complete and correct the information provided to us by the sources detailed in our report, relating to items such as tenure, tenancies, tenants' improvements and other relevant matters.

4. Documentation and Title

We do not normally read documents of title. Where title documentation or leases are provided to us, we recommend that reliance should not be placed on our interpretation thereof without prior verification by your legal advisors.

Unless notified to the contrary, we assume that each property has a good and marketable title and is free from any pending litigation. We further assume that all documentation is satisfactorily drawn and that there are no unusual or onerous restrictions, easements covenants or other outgoings which would adversely affect the valuation of the relevant interest(s).

5. Tenancies

It is assumed, that, except where otherwise stated, all properties are subject to normal outgoings and that tenants are responsible for all repairs, the cost of insurance and payment of rates and other unusual outgoings, either directly or by means of service charge provisions.

Unless otherwise stated it is further assumed that rent reviews are on an upward only basis and that neither the landlord nor the tenant may terminate the contract prematurely.

6. Tenants' Covenant Strength

Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market's perception of them. Any comments on covenant strength should therefore be read in this context. Furthermore, we assume, unless otherwise advised, that the tenant is capable of meeting its financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

7. Inspection

We undertake such inspections and conduct investigations as are, in our opinion, correct in our professional judgement, appropriate and possible in the particular circumstances.

8. Measurements

All property measurement is carried out in accordance with the Code of Measuring Practice issued by The Royal Institution of Chartered Surveyors, unless we specifically state that we have relied upon another source of information or method.

Unless specifically requested, we do not undertake a measured site survey but calculate site areas by reference to the identified boundaries of the property and the appropriate Ordnance Survey Plan.

9. Town Planning and Other Statutory Regulations

Wherever possible, we undertake direct oral enquiries to obtain town planning and highway information from the relevant Local Authority. If specifically instructed, we will undertake to obtain written verification of the position as stated in our report.

Our valuations are prepared on the assumption that the premises comply with all relevant statutory enactments and Building Regulations and that a valid and up-to-date Fire Certificate has been issued where required. We also assume that all necessary consents and authorisations for the use of the property and the processes carried out therein have been obtained and will continue to subsist and are not subject to any onerous conditions.

We further assume that there are no outstanding obligations or liabilities arising out of the provisions of the Defective Premises Act 1972.

10. Building Surveys

Unless expressly instructed, we do not undertake building surveys, nor do we inspect those parts that are covered, unexposed or inaccessible, or test any of the electrical, heating or other services. Any readily apparent defects or items of disrepair noted during our inspection will be reflected in our valuations, but no assurance is given that any property is free from defect. We assume that those parts which have not been inspected would not reveal material defects which would cause us to alter our report and valuations.

10. Deleterious Materials

Unless expressly instructed, we do not carry out investigations to ascertain whether any building has been constructed or altered using deleterious materials or methods. Unless specifically notified, our valuations assume that no such materials or methods have been used. Common examples include high alumina cement concrete, calcium chloride, asbestos and wood wool as permanent shuttering.

11. Site Conditions

In the case of properties which may have redevelopment potential, we assume that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems. Furthermore, we assume in such circumstances that no unusual costs will be incurred in the demolition and removal of any existing structures on the property.

12. Plant and Machinery

Our valuations include terms usually regarded as forming part of the building and comprising landlord's fixtures, such as boilers, heating, lighting, sprinklers and ventilation systems but generally exclude operational plant and machinery and those fixtures and fittings normally considered to be the property of the tenant.

13. Taxation

In preparing our valuations, no allowances are made for any liability which may arise for payment of Corporation Tax or Capital Gains Tax, or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. We also specifically draw your attention to the fact that our valuations are exclusive of any VAT liability which may be incurred. Similarly, we assume that there are no unclaimed Capital Allowances or other tax benefits available.

14. Government Grants

All valuations are given without any adjustment for capital based Government grants received or potentially receivable at the date of the valuation.

15. Special Purchaser Value

Unless otherwise stated, our valuations do not reflect any element of marriage value or special purchaser value which could possibly be realised by a merger of interests or by a sale to an owner or occupier of an adjoining property, other than insofar as this would be reflected in offers made in the open market by prospective purchasers apart from the purchaser with a special interest.

16. Aggregation

In the valuation of portfolios, each property is valued separately and not as part of the portfolio. Accordingly, no allowance, either positive or negative, is made in the aggregate value reported to reflect the possibility of the whole or part of the property being put on the market at any one time.

17. Confidentiality

Our valuations and reports are strictly confidential to the party to whom they are addressed, or their other professional advisors, for the specific purpose to which they refer and no responsibility whatsoever is accepted to any third parties for the whole or part of their contents.

ASSUMPTIONS AND PRINCIPLES ADOPTED FOR THE FIRE REINSTATEMENT ASSESSMENT

Our assessment is based on the assumption that the building is totally destroyed or damaged to such an extent that total reconstruction is required. The assessment is our opinion of rebuilding the property to its original size, design and quality using modern construction techniques and comparable materials and reconstructing in accordance with current building regulations. The assessment excludes any allowances for upgrading or improvements that may be incorporated in the redesign of the building.

We have included the professional fees of Surveyors, Architects and Engineers, which have been calculated on the basis of a total loss, but a higher rate of fees could apply if the building was partially damaged. Our assessment of fees assumes that no original documentation is available or to be re-used. We understand that the allowances made are appropriate providing they are included in the total sum insured and the insurance policy does not state a specific sum for such fees.

We have excluded any allowance for the cost of professional advice in negotiating a claim for loss with the Insurance Company or its appointed Loss Adjusters. Most policies exclude recovery of such costs and you should check with your Brokers (Insurers) if additional cover is required.

We have included an allowance in our figures for demolition and the removal debris which would result from damage to the building, but not for any value in salvaged materials.

Our assessment of demolition and removal of debris excludes the cost of specialist removal of any hazardous materials used in the construction of the existing building and the extra over cost of demolishing pre-stressed or post tensioned concrete structures or removal of asbestos or other hazardous waste.

We have made allowance for all foundations, however we have assumed in making our assessment that normal ground conditions apply and consequently we have not made allowances for abnormal foundations works, piling or other specialist foundations or ground stabilisation techniques.

We have excluded roads, fences, boundary walls, car parks and all other external works beyond the immediate perimeter of the building. We have made no allowance for the road closures or diversion of major services.

We have allowed in our assessment for the properties to be rebuilt in a manner to comply with current statutory building regulations.

The assessment is our opinion of the reinstatement cost of the building for insurance purposes using current rebuilding costs and assumes tenders are sought in competition or realistically negotiated and is not related to the open market value of the site or the building.

The assessment includes all demountable partitioning, tenants' fixtures, fittings and excludes stock, general loose contents and furnishes, computer equipment and cable or wiring distribution, telephone and telex installations etc.

The assessment is also based upon the assumption that rebuilding of the premises in their present size, form and position will be permitted by the Local Authority in relation to the current building regulations, but we recommend you clarify the position with them.

Such policy, which determines the extent to which sites may be developed, varies from time to time and we recommend that you clarify the position with the Authority. We understand that additional insurance may be taken to cover loss in the event that rebuilding needs to be reduced in size and recommend you consult your insurers if your premises are likely to be affected.

Reservations

This report should not be construed as giving advice on the condition of the structure, fabric and services of the property. It is important that the property is maintained in accordance with the requirements of the Insurance Company as some insurance policies contain conditions that in the event of a claim for total or partial destruction the amount of settlement may be reduced, or certain perils not covered, if the property is in a state of disrepair.

If compensation is payable under an insurance policy in certain circumstances it may give rise to a potential liability to Capital Gains Tax. Our assessment makes no allowances for such liability and we recommend that you seek appropriate advice to clarify the position before commissioning any work of reinstatement.

Our assessment makes no allowance for withdrawal of Capital Allowances.

Where properties are in an Enterprise Zone, or where they are classified as Industrial Buildings and upon which the appropriate allowances have been claimed, then, the receipt of insurance moneys following destruction, may give rise to a liability to Corporation Tax on any balancing charge that might arise by treating the insurance moneys as disposal proceeds. Our assessment makes no allowance for such liability.

Following the decision of the European Court of Justice in respect of VAT, and the changes in domestic legislation, VAT is now imposed on the construction of new non-domestic buildings at the standard rate of 17.5%. We suggest therefore that VAT should be added to the insured sum. In the case of a taxable trader, this would be recovered in the normal way and would only form part of the claim when not recoverable from HM Customs and Excise. In order to ensure that no problem arises at a later date we recommend that you confirm the Insurers accept the assessment net of VAT.

In arriving at our reinstatement valuations we have estimated the cost of reinstating the property, and have made a separate allowance for inflation during the insurance year, and the time it would take to clear debris, plan and reconstruct the buildings. However, a 'Day One' policy normally provides protection against inflation to a maximum of 50% of the 'Day One' figure, provided such figures are demonstrably correct, and no additional allowances for inflation should be necessary. We recommend you clarify the position with your broker.

Consequential Matters

When considering the implications of loss of rental income or the cost of renting similar alternative accommodation, we recommend you quantify that cost on the basis of the rebuilding period given earlier in this report.

Provision for Reassessment

We strongly recommend that the premises are reassessed annually, to take account of changes in rebuilding costs, and any other changes affecting reinstatement costs, and would suggest that approximately two months before the policy renewal date, you advise us whether the property has been subject to alterations, additions, refurbishment or extensions affecting the reinstatement costs. We would then amend our records, arrange inspections, where necessary, and report to you in sufficient time before policy renewal date.

We shall be pleased to quote a fee for preparing an annual reassessment with or without further inspection and look forward to receiving your instructions.