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Financial Viability – Response to LB Richmond Post-Submission Review

Sharpe Refinery Service (Hydro-Carbons) Ltd

December 2018

Private & Confidential

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1. Introduction

1.1. Grimshaw Consulting Limited ('GCL') is instructed by Sharpe Refinery Service (Hydro-Carbons) Ltd ("the Applicant") and has prepared a Financial Viability Assessment ("FVA") of a mixed use development proposal with a total GIA of 29,364sqt (2,728sqm) and comprising demolition of existing workshops, oil recycling facilities and telecommunications mast and the retention and refurbishment of a Victorian mews for Class B1 commercial use and erection of 24 No dwellings in two buildings of between three and four storeys at Arlington Works, Arlington Road, St Margaret's TW1 2AZ ('the Property' or "application site").

1.2. A planning application has been submitted to the London Borough of Richmond ("the Council") and is being considered by the Council with a view to determination by Committee in December 2018.

1.3. Our Financial Viability Assessment dated 2nd August 2018 led to the following conclusions:-

a) Our assessment of a reasonable Viability Benchmark is £1,800,000. This opinion has been based on the Existing Use Value of the Premises, assuming current passing rents from tenants capitalised at an all risks yield of 8.50% and a landowner premium of 30%.

b) Our financial appraisals indicate that the maximum reasonable amount of affordable housing that can be provided on site, is 4 No apartments (2 No 2-bedroom and 2-No 3-bedroom) for sale on a shared ownership basis. This development scenario would generate a viability surplus of £99,578 and in addition, would generate a total of £529,950 in CIL and Carbon Off-set contributions. The on-site affordable housing provision of 4 No units within the smaller residential block, equates to 17% of total dwellings and 19% of residential habitable rooms and floor area (NSA).

1.4. The Council have appointed Bespoke Property Consultants ("BPC") to undertake a review of our Financial Viability Assessment and BPC issued their report in November 2018. The purpose of this report is to consider the points raised in BPC's review and respond to matters where there is a difference of opinion relating to development revenue and development cost financial appraisal assumptions.

1.5. We note that BPC have prepared a financial appraisal using the GLA Development Control Toolkit ("the Toolkit"). Whilst the Toolkit is an acceptable financial appraisal model, it does not allow the same level of detailed input as the Argus Developer appraisal software used by GCL. There may be minor differences in appraisal outcomes generated by each respective software model, so to ensure clarity, we have prepared revised appraisals based on assumptions that are agreed as common ground and our opinion of appropriate assumptions where there is disagreement between the parties.

1.6. We also note that BPC have only modelled a scenario providing 100% Market Housing and have not provided any comment on assumptions relating to development revenue relating to affordable housing that are set out in our FVA. In the absence of comment from BPC, we consider that these assumptions are matters of Common Ground for the purposes of this response.

1.7. This report refers to matters set out within our Financial Viability Assessment Report dated 2nd August and should be read in conjunction with that original report and indeed, the report prepared by BPC in November 2018. This report has been prepared by Robert Grimshaw – a Director of Grimshaw Consulting Limited, who has extensive experience of both client-side and consultancy roles in the residential, commercial and mixed-use development sector, gained during a career of more than 25-years.

1.8. This report has been prepared for planning application purposes and is provided for the sole use of the party to whom it is addressed. The report is confidential to the addressee and their professional advisors and Grimshaw Consulting Limited accepts no responsibility whatsoever to any person other than our client. The contents of this report do not constitute our opinion of Market Value (as defined by the RICS Valuation – Global Standards 2017) and should not be relied upon as such by our client or any third party under any circumstances. Neither the whole nor any part of the report, or any reference thereto may be included within any published document, circular, or statement, or published in any way, without the prior written approval of Grimshaw Consulting Limited.

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2. Matters Agreed as Common Ground

2.1. GCL and BPC agree that the following points are matters of Common Ground:

a) Private Residential Value – BPC confirm at paragraph 4.3.3 of their report, that *"…the values proposed by Grimshaw Consulting are reasonable and are replicated in our appraisal."* The total Private Residential Value included within the Toolkit appraisal prepared by BPC is £14,408,000 and we confirm that this point is agreed.

b) Ground Rent Investment Value – BPC propose at paragraph 4.3.4, a total value for Ground Rent Investment sale income of £143,000. We confirm our agreement to this assumption.

c) Development Timescale – BPC confirm agreement of our assumption at paragraph 4.6.1.

d) Professional Fees – BPC confirm agreement of our assumption of 12% of construction costs at paragraph 4.8.1.

e) Contingency – is included within the Order of Cost Estimate prepared by Stace LLP, which has been reviewed by K2 Rider Hunt on behalf of the Council. K2 Rider Hunt confirm agreement to the Contingency ("Risk Allowance") provisions proposed by Stace LLP at rates of 7.5% in respect of refurbished commercial buildings and external works, 5% for new build residential buildings, and 10% in respect of ground remediation works.

f) S.106 Contributions – BPC confirm at paragraph 4.8.3 that no allowance has been made, pending agreement on whether a viability surplus is generated by the proposal. We agree that this is an appropriate approach.

g) Community Infrastructure Levy – BPC confirm at paragraph 4.8.4 that the sum estimated by GCL (a total of £625,000 for a 100% Market Housing scenario) has been input into their Toolkit appraisal. This is a matter of common ground, but the level of CIL will be dependent on the level of affordable housing that might be provided on-site and confirmation of indexation by the Council. Our current financial appraisals assume CIL indexation to November 2018 – any significant delay in determining and implementing the planning application will result in an increase in the CIL that is calculated by the Council.

h) Marketing / Letting and Disposal Costs – BPC have confirmed at paragraph 4.8.5 that they assumed a flat rate of 3.0% to include all residential marketing / sales agent and legal fees. BPC's report is silent on the matter of marketing / letting & disposal fees relating to the commercial use, but we note that the Toolkit appraisal includes an allowance of 15% of "Capital Value". We confirm agreement of these assumptions and our revised financial appraisal (Appendix 1) reflects this position.

i) Finance Costs – BPC confirm at paragraph 4.8.6 that they have assumed an interest rate of 7.0%, inclusive of all fees. We confirm our agreement to this assumption and this is reflected in our financial appraisal provided at Appendix 1.

j) Developer Profit – BPC confirm agreement to our assumption of 20% profit on GDV in respect of Market Housing, at paragraph 4.8.7. We note that the BPC report is silent on the profit margins for commercial use, but that the BPC Toolkit appraisal allows 15% profit on GDV. We confirm that this is a matter of common ground.

3. Matters Requiring Further Discussion

3.1. The following points require further discussion between the parties, either because there is disagreement on appraisal assumptions, or because BPC's report is silent on the point or the Toolkit appraisal assumptions are unclear due to the limited level of detailed input that this software allows:

a) Affordable Housing Appraisal Assumptions – BPC's report is silent on this point. We therefore assume that our appraisal assumptions, set out at paragraphs 4.2 (revenue) and 4.9 (profit of 6% of Affordable Housing GDV) are agreed, but would be grateful for confirmation of this.

b) Commercial Use Value – whilst BPC confirm at paragraph 4.4 that our appraisal assumptions are appropriate in terms of rent and yield used to capitalise the rental income, the calculation of the value attributable to the commercial element in the Toolkit appraisal does not include any allowance for a 3-month rent-free period, that we consider would be appropriate to incentivise tenants. Our amended financial appraisal for the 100% Market Housing scenario (Appendix 1), reflects the assumptions agreed by BPC – an annual rent of £25 per sqft, based on a NIA of 6,545 sqft (608 sqm), capitalised at a yield of 6.50% and allowing for a 3-month rent-free period. On this basis, the investment value of the commercial use is calculated in our Argus Developer

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financial appraisal at Appendix 1 at the sum of £2,477,986. We trust that BPC will accept this point and look forward to receiving confirmation from them.

c) Acquisition Costs – BPC confirm at paragraph 4.8.5 that our site acquisition costs have been *"set within the normal range for this type of site"*. However, despite this confirmation, the BPC Toolkit appraisal includes a sum of only £97,546 for acquisition costs. We consider that this understates the costs relating to Agent & Legal Fees and in particular, SDLT, as the Toolkit appraisal does not appear to have the capability to calculate such costs based on the residual land value generated by the software. Based on BPC's Toolkit appraisal estimation of the residual land value *(£3,253,000 after land finance)*, land acquisition costs should equate to a total of £233,475 (SDLT - £184,680; Agent Fee - £32,530; Legal Fee - £16,265). Unless BPC can provide evidence to confirm that the Toolkit appraisal correctly accounts for these items, there appears to be a cost shortfall of £135,929 in the Toolkit. We have therefore used the assumptions (apparently accepted by BPC in their report), in our revised financial appraisals.

d) Construction Costs – The Council appointed K2 Rider Hunt to review the Order of Cost Estimate prepared by Stace LLP on behalf of the Applicant. K2 Rider Hunt consider that reductions in costs totalling £606,737 (equating to £20.66 per sqft or £222.42 per sqm) are achievable. Stace LLP have reviewed K2 Rider Hunt's report and their response is provided at Appendix 2. Stace LLP consider that savings of £2,810 might be appropriate, reducing the construction cost estimate to £7,766,594. There remains a significant difference of £603,927 between Stace LLP and K2 Rider Hunt and we recommend that these professionals discuss the issues raised in the respective reports and seek to reach agreement. It is particularly notable that K2 Rider Hunt have not accounted for the recommendations of the Leap Environmental Ltd report relating to remediation of the site, which is currently in use as a registered waste disposal facility, specialising in the recycling of waste oil. Due to this over-sight, K2 Rider Hunt have removed remediation allowances totalling £200,375 and we would urge them to re-consider their position following review of the Stace LLP response and the Leap Environmental Ltd report. For the purposes of this response, we do not accept the cost reductions proposed by K2 Rider Hunt and our revised financial appraisal (Appendix 1) reflects the position presented by Stace LLP in their response.

e) Network Rail Asset Protection Costs – our original FVA report did not include any costs working in close proximity to the railway line. Brookes Architects advise that the works to the existing building right on the boundary will require special scaffolding agreements and a license from Network rail for scaffolding to stand on their side (or overhang) and guarding to the trainlines. Furthermore, there will be a need for temporary protections and limitations / special requirements for tethering back piling rigs / cranes etc that would be required in such close proximity to the railway – not to mention additional temporary ground retention measure if the remediation of impacted soils requires excavations and reduced level dig in close proximity to the railway. Stace LLP have confirmed that no allowance is made in their Order of Cost estimate for these items and we have allowed a sum of £60,000 in our revised appraisals to cover this risk.

f) Carbon Off-set Payment – BPC's report is silent on this cost and the Toolkit appraisal does not appear to include an allowance for the sum calculated by the Applicant's sustainability consultant of £45,950 and included within our original financial appraisals. We assume that this is an over-sight by BPC and have included this cost in our revised financial appraisals.

g) Benchmark Land Value – BPC confirm at paragraph 4.9.2 that they agree with our assessment of the Existing Use Value of the Property, a sum of £1,385,182. BPC do not agree with our opinion that an appropriate and reasonable landowner premium would be 30% and suggest that a premium of 20% would *"…reflect an incentive for the landowner to sell…"*. With a 20% landowner premium, the Benchmark Land Value would be £1,665,000, equating to £5,615,514 per hectare. Paragraph 5.7 of our FVA report refers to the assumptions used by Adams Integra in in setting viability thresholds from existing uses within their Whole Plan Viability Assessment (December 2016). Adams Integra indicate at 8.15 of the Whole Plan Viability Assessment, that the mid-range viability threshold for employment sites (including landowner premium) would be in the region of £6,000,000 per hectare. In the absence of any evidence offered by BPC to support their opinion of a lower Benchmark Land Value and given that the Benchmark Land Value proposed by our FVA report equates to £6.07m per hectare, in line with the Adams Integra assumption, we see no reason to alter our opinion that a reasonable Benchmark Land Value is £1,800,000.

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4. Revised Financial Appraisal Results

4.1. We have prepared revised financial appraisals for the development proposal using Argus Developer – industry recognised software for the provision of development viability models.

4.2. Based on matters agreed as common ground and in cases where matters are disputed, our own opinion of appropriate inputs as set out in section 3 above, we have tested the following development scenarios:-

- All 24 residential dwellings are provided for Market Sale (Appendix 1)
- The provision of 4 No dwellings within the small residential block, for sale on a Shared Ownership basis, in line with affordability criteria set out in London Plan AMR13 (August 2017) – i.e. where annual housing costs are no greater than 40% of net household income and where gross annual income is a maximum of £90,000 (Appendix 2).

4.3. Our financial appraisal results are summarised in the table provided below:

Arlington Works - Financial Appraisal Outcomes		
Development Cost / Revenue	Scenario 1 - 100% Market Housing	Scenario 2 - 4 No Shared Ownership Units
Development Revenue - Market Housing	£ 14,408,000	£ 11,618,971
Development Revenue - Affordable Housing	£ -	£ 1,490,000
Development Revenue - Residential Ground Rents	£ 143,000	£ 122,500
Development Revenue - Commercial Units	£ 2,477,986	£ 2,477,986
Total Development Revenue	£ 17,028,986	£ 15,709,457
Acquisition Costs – SDLT	£ 127,991	£ 99,992
Acquisition Costs – Agent Fee	£ 23,061	£ 19,017
Acquisition Costs – Legal Fee	£ 11,531	£ 9,008
Construction Costs	£ 7,766,594	£ 7,766,594
Network Rail Asset Protection Fees	£ 60,000	£ 60,000
Contingency	included	included
Mayoral CIL Contributions	£ 115,000	£ 89,000
Borough CIL Contributions	£ 510,000	£ 395,000
Carbon Off-set Payment	£ 45,950	£ 45,950
Professional Fees	£ 931,991	£ 931,991
Marketing, Letting & Disposal Costs	£ 808,228	£ 723,942
Finance Costs	£ 1,041,013	£ 959,445
Developer Profit	£ 3,281,486	£ 2,808,851
	(19.27% of GDV)	(17.88% of GDV)
Total Development Costs	£ 14,722,845	£ 13,908,790
Residual Land Value	£ 2,306,141	£ 1,800,667
Viability Benchmark	£ 1,800,000	£ 1,800,000
Viability Surplus / (Deficit)	**£ 506,141**	**£ 667**

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5. Conclusion

5.1. We have considered the points raised by Bespoke Property Consultants ("BPC") in their review of our financial viability assessment, which they have prepared on behalf of the Council. Many points are agreed as matters of common ground.

5.2. There are notable differences of opinion that remain to be resolved before final agreement can be reached. These relate primarily to the Viability Benchmark (or Benchmark Land Value), the value of proposed Commercial Use premises and Construction Costs. To a lesser, appraisal assumptions relating to Acquisition Costs, the Carbon Off-set Payment and affordable housing revenue / profit margin require clarification and agreement. One additional cost item has been added to our financial appraisals – this relates to the costs of complying with Network Rail Asset Protection regulations.

5.3. Our assessment of a reasonable Viability Benchmark remains unchanged from our original report - £1,800,000. This opinion has been based on the Existing Use Value ("EUV") of the Premises, assuming current passing rents from tenants capitalised at an all risks yield of 8.50% and a landowner premium of 30%. The price per hectare of £6.07m is in line with the Richmond Whole Plan Viability Study prepared by Adams Integra in December 2016. BPC agree with our assessment of EUV but disagree with our opinion of a reasonable level of landowner premium, but they have not provided evidence to justify a reduction in the premium.

5.4. Our financial appraisals indicate that the maximum reasonable amount of affordable housing that can be provided on site, is 4 No apartments (2 No 2-bedroom and 2-No 3-bedroom) for sale on a shared ownership basis. This development scenario would generate a *de minimis* viability surplus of £667 and in addition, would generate a total of £529,950 in CIL and Carbon Off-set contributions. The on-site affordable housing provision of 4 No units within the smaller residential block, equates to 17% of total dwellings and 19% of residential habitable rooms and floor area (NSA).

5.5. In their review, BPC suggested that a development scenario providing 100% Market Housing would generate a residual land value of £3,253,000, equating to a viability surplus above their opinion of Benchmark Land Value of £1,588,000. Our revised financial appraisal for 100% Market Housing generates a residual land value of £2,306,141 – a surplus of £506,141 above our opinion of a reasonable Benchmark Land Value, based on the EUV of the Property and assumptions used to inform the Richmond Local Plan. When compared with BPC's opinion of Benchmark Land Value, our revised financial appraisal generates a viability surplus of £641,141.

5.6. We look forward to discussing this proposal further with the BPC and the Council, once the contents of our response and appendices have been considered in more detail.

Robert Grimshaw
Director
Grimshaw Consulting Limited
7th December 2018

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6. Appendices

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Appendix 1 – Financial Appraisal – 100% Market Housing

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Arlington Works (100% Market Post-Submission)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

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Development Appraisal
Prepared by Robert Grimshaw
Grimshaw Consulting Limited
11 December 2018

Arlington Works (100% Market Post-Submission)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Summary Appraisal for Part 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Market Residential (Main Block)	20	14,618	794.84	580,949	11,618,971
Market Housing (Small Block)	4	3,509	794.82	697,257	2,789,029
Totals	**24**	**18,127**			**14,408,000**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Mews Commercial (C1 to C7)	7	6,545	25.00	23,375	163,625	163,625
Residential Ground Rents	24			350	8,400	8,400
Totals	**31**	**6,545**			**172,025**	**172,025**

Investment Valuation					
Mews Commercial (C1 to C7)					
Market Rent	163,625	YP @	6.5000%	15.3846	
(3mths Rent Free)		PV 3mths @	6.5000%	0.9844	2,477,986
Residential Ground Rents					
Manual Value					143,000
					2,620,986

GROSS DEVELOPMENT VALUE	**17,028,986**
NET REALISATION	**17,028,986**
OUTLAY	

ACQUISITION COSTS

Residualised Price (0.73 Acres 3,159,098.12 pAcre)		2,306,142	
			2,306,142
Stamp Duty	5.55%	127,991	
Agent Fee	1.00%	23,061	
Legal Fee	0.50%	11,531	
			162,583

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Construction Costs	29,364	264.49	7,766,594	**7,766,594**
Network Rail Asset Protection Fees			60,000	
Mayoral CIL			115,000	
Borough CIL			510,000	
Carbon Off-set Payment			45,950	
				730,950

PROFESSIONAL FEES

Professional Fees	12.00%	931,991	
			931,991

MARKETING & LETTING

Marketing	3.00%	436,530	
Commercial Marketing Fees	15.00%	371,698	
			808,228

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)	
Land	367,738
Construction	531,587
Other	141,688
Total Finance Cost	1,041,013

TOTAL COSTS	**13,747,501**
PROFIT	

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Arlington Works (100% Market Post-Submission)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

3,281,486

Performance Measures

Profit on Cost%	23.87%
Profit on GDV%	19.27%

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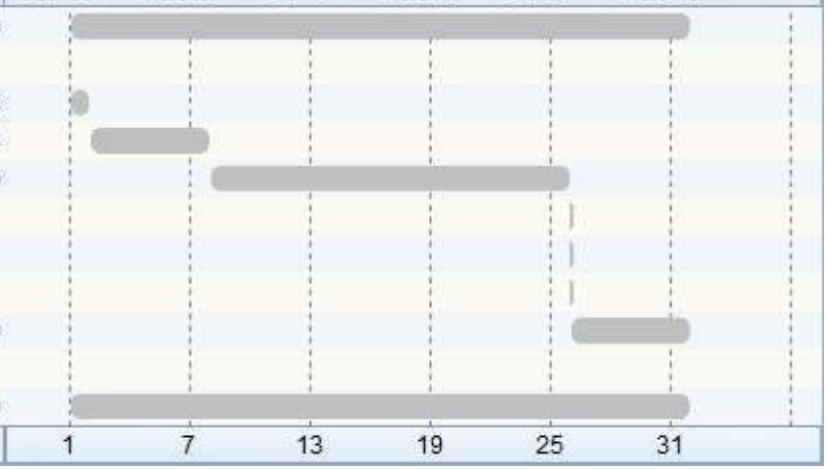
Arlington Works (100% Market Post-Submission)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Project Timescale	
Project Start Date	Jun 2018
Project End Date	Dec 2020
Project Duration (Inc Exit Period)	31 months

Phase 1

	Start Date	Duration	End Date
Project	Jun 2018	31	Dec 2020
Purchase	Jun 2018	1 Month(s)	Jun 2018
Pre-Construction	Jul 2018	6 Month(s)	Dec 2018
Construction	Jan 2019	18	Jun 2020
Post Development	Jul 2020	0 Month(s)	
Letting	Jul 2020	0 Month(s)	
Income Flow	Jul 2020	0 Month(s)	
Sale	Jul 2020	6 Month(s)	Dec 2020
Cash Activity	Jun 2018	31	Dec 2020



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Arlington Works (100% Market Post-Submission)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Grouped Cash Flow Part 1

	001:Jun 2018	002:Jul 2018	003:Aug 2018	004:Sep 2018	005:Oct 2018	006:Nov 2018
Monthly B/F	0	(2,528,372)	(2,586,156)	(2,671,910)	(2,725,965)	(2,778,157)
Land Purchase						
Residualised Price	(2,306,142)	0	0	0	0	0
Stamp Duty	(127,991)	0	0	0	0	0
Agent Fee	(23,061)	0	0	0	0	0
Legal Fee	(11,531)	0	0	0	0	0
	(2,468,725)	**0**	**0**	**0**	**0**	**0**
Construction Costs						
Construction Cost	0	0	0	0	0	0
Road/Site Works	0	0	0	0	0	0
Statutory/LA	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Professional Fees						
Professional Fees	(59,647)	(57,783)	(55,919)	(54,055)	(52,192)	(50,328)
	(59,647)	**(57,783)**	**(55,919)**	**(54,055)**	**(52,192)**	**(50,328)**
Marketing/Letting						
Marketing	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Capitalisation						
Unit Sales	0	0	0	0	0	0
Capitalised Rent	0	0	0	0	0	0
Net Cash Flow Before Finance	**(2,528,372)**	**(57,783)**	**(55,919)**	**(54,055)**	**(52,192)**	**(50,328)**
Debit Rate 7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
Credit Rate 0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Finance Costs (All Sets)	0	(14,749)	(15,086)	(15,586)	(15,901)	(16,206)
Net Cash Flow After Finance	**(2,528,372)**	**(72,532)**	**(71,005)**	**(69,642)**	**(68,093)**	**(66,533)**
Cumulative Net Cash Flow Monthly	(2,528,372)	(2,600,904)	(2,671,910)	(2,741,551)	(2,809,644)	(2,876,178)

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Arlington Works (100% Market Post-Submission)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Grouped Cash Flow Part 1

007:Dec 2018	008:Jan 2019	009:Feb 2019	010:Mar 2019	011:Apr 2019	012:May 2019	013:Jun 2019	014:Jul 2019
(2,876,178)	(2,924,641)	(3,786,573)	(4,079,739)	(4,410,619)	(4,822,525)	(5,380,498)	(5,916,605)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	(84,382)	(192,504)	(288,009)	(370,898)	(441,171)	(498,827)	(543,868)
0	(60,000)	0	0	0	0	0	0
0	(670,950)	0	0	0	0	0	0
0	**(815,332)**	**(192,504)**	**(288,009)**	**(370,898)**	**(441,171)**	**(498,827)**	**(543,868)**
(48,464)	(46,600)	(44,736)	(42,872)	(41,008)	(39,144)	(37,280)	(35,416)
(48,464)	**(46,600)**	**(44,736)**	**(42,872)**	**(41,008)**	**(39,144)**	**(37,280)**	**(35,416)**
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(48,464)	**(861,932)**	**(237,239)**	**(330,881)**	**(411,906)**	**(480,315)**	**(536,107)**	**(579,283)**
7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
(16,778)	(17,060)	(22,088)	(23,798)	(25,729)	(28,131)	(31,386)	(34,514)
(65,241)	**(878,992)**	**(259,328)**	**(354,679)**	**(437,634)**	**(508,446)**	**(567,493)**	**(613,797)**
(2,941,419)	(3,820,411)	(4,079,739)	(4,434,418)	(4,872,052)	(5,380,498)	(5,947,992)	(6,561,788)

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Arlington Works (100% Market Post-Submission)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Grouped Cash Flow Part 1

015:Aug 2019 (6,495,889)	016:Sep 2019 (7,209,524)	017:Oct 2019 (7,837,311)	018:Nov 2019 (8,470,425)	019:Dec 2019 (9,233,434)	020:Jan 2020 (9,839,354)	021:Feb 2020 (10,412,753)	022:Mar 2020 (11,113,012)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(576,292)	(596,099)	(603,290)	(597,865)	(579,824)	(549,166)	(505,893)	(450,002)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(576,292)	**(596,099)**	**(603,290)**	**(597,865)**	**(579,824)**	**(549,166)**	**(505,893)**	**(450,002)**
(33,552)	(31,688)	(29,824)	(27,960)	(26,096)	(24,232)	(22,368)	(20,504)
(33,552)	**(31,688)**	**(29,824)**	**(27,960)**	**(26,096)**	**(24,232)**	**(22,368)**	**(20,504)**
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(609,843)	**(627,787)**	**(633,114)**	**(625,825)**	**(605,920)**	**(573,398)**	**(528,260)**	**(470,506)**
7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
(37,893)	(42,056)	(45,718)	(49,411)	(53,862)	(57,396)	(60,741)	(64,826)
(647,736)	**(669,842)**	**(678,832)**	**(675,236)**	**(659,782)**	**(630,794)**	**(589,001)**	**(535,332)**
(7,209,524)	(7,879,367)	(8,558,198)	(9,233,434)	(9,893,216)	(10,524,011)	(11,113,012)	(11,648,344)

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Arlington Works (100% Market Post-Submission)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Grouped Cash Flow Part 1

023:Apr 2020 (11,583,518)	024:May 2020 (11,983,654)	025:Jun 2020 (12,503,104)	026:Jul 2020 (12,724,650)	027:Aug 2020 (8,328,731)	028:Sep 2020 (6,797,315)	029:Oct 2020 (5,106,754)	030:Nov 2020 (3,416,194)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(381,496)	(300,373)	(206,634)	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(381,496)	**(300,373)**	**(206,634)**	**0**	**0**	**0**	**0**	**0**
(18,640)	(16,776)	(14,912)	0	0	0	0	0
(18,640)	**(16,776)**	**(14,912)**	**0**	**0**	**0**	**0**	**0**
0	0	0	(135,956)	(52,285)	(52,285)	(52,285)	(69,714)
0	**0**	**0**	**(135,956)**	**(52,285)**	**(52,285)**	**(52,285)**	**(69,714)**
0	0	0	4,531,875	1,742,846	1,742,846	1,742,846	2,323,794
0	0	0	0	0	0	0	0
(400,136)	**(317,149)**	**(221,546)**	**4,395,918**	**1,690,560**	**1,690,560**	**1,690,560**	**2,254,080**
7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
(67,571)	(69,905)	(72,935)	(47,791)	(38,418)	(29,484)	(19,623)	(6,372)
(467,706)	**(387,054)**	**(294,481)**	**4,348,127**	**1,652,143**	**1,661,076**	**1,670,937**	**2,247,708**
(12,116,050)	(12,503,104)	(12,797,584)	(8,449,457)	(6,797,315)	(5,136,239)	(3,465,301)	(1,217,593)

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Arlington Works (100% Market Post-Submission)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Grouped Cash Flow Part 1 **Page A 5**

031:Dec 2020
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Appendix 2 – Stace LLP Response to Commercial Review

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Response to Commercial Review

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Removal of Roof Coverings

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Removal of Staircases

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Appendix 3 – Financial Appraisal – 4 No. Shared Ownership Units

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Arlington Works (4 x SO Post-Submission Amendment)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

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Development Appraisal
Prepared by Robert Grimshaw
Grimshaw Consulting Limited
11 December 2018

Arlington Works (4 x SO Post-Submission Amendment)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Summary Appraisal for Part 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Market Residential (Main Block)	20	14,618	794.84	580,949	11,618,971
Shared Ownership (Small Block)	4	3,509	424.62	372,500	1,490,000
Totals	**24**	**18,127**			**13,108,971**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Mews Commercial (C1 to C7)	7	6,545	25.00	23,375	163,625	163,625
Residential Ground Rents	20			306	6,125	6,125
Totals	**27**	**6,545**			**169,750**	**169,750**

Investment Valuation					
Mews Commercial (C1 to C7)					
Market Rent	163,625	YP @	6.5000%	15.3846	
(3mths Rent Free)		PV 3mths @	6.5000%	0.9844	2,477,986
Residential Ground Rents					
Current Rent	6,125	YP @	5.0000%	20.0000	122,500
					2,600,486

GROSS DEVELOPMENT VALUE		**15,709,457**
NET REALISATION		**15,709,457**
OUTLAY		
ACQUISITION COSTS		
Residualised Price (0.73 Acres 2,468,035.81 pAcre)	1,801,666	
		1,801,666
Stamp Duty	5.55%	99,992
Agent Fee	1.00%	18,017
Legal Fee	0.50%	9,008
		127,017

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Construction Costs	29,364	264.49	7,766,594	**7,766,594**
Network Rail Asset Protection Fees			60,000	
Mayoral CIL			89,000	
Borough CIL			395,000	
Carbon Off-set Payment			45,950	
				589,950

PROFESSIONAL FEES		
Professional Fees	12.00%	931,991
		931,991
MARKETING & LETTING		
Marketing	3.00%	352,244
Commercial Marketing Fees	15.00%	371,698
		723,942
FINANCE		
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)		
Land		287,294
Construction		517,010
Other		155,141
Total Finance Cost		959,445
TOTAL COSTS		**12,900,606**
PROFIT		

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Arlington Works (4 x SO Post-Submission Amendment)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

2,808,851

Performance Measures

Profit on Cost%	21.77%
Profit on GDV%	17.88%

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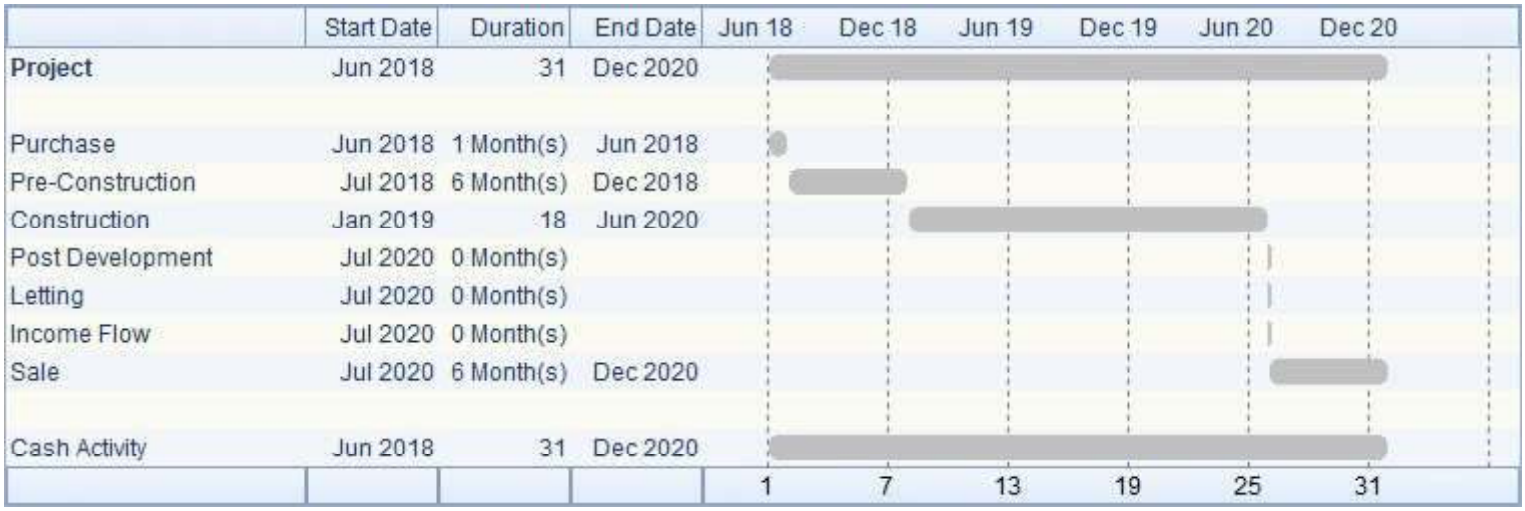
Arlington Works (4 x SO Post-Submission Amendment)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Project Timescale	
Project Start Date	Jun 2018
Project End Date	Dec 2020
Project Duration (Inc Exit Period)	31 months

Phase 1



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Arlington Works (4 x SO Post-Submission Amendment)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Grouped Cash Flow Part 1

	001:Jun 2018	002:Jul 2018	003:Aug 2018	004:Sep 2018	005:Oct 2018	006:Nov 2018
Monthly B/F	0	(1,988,331)	(2,046,115)	(2,125,568)	(2,179,624)	(2,231,815)
Land Purchase						
Residualised Price	(1,801,666)	0	0	0	0	0
Stamp Duty	(99,992)	0	0	0	0	0
Agent Fee	(18,017)	0	0	0	0	0
Legal Fee	(9,008)	0	0	0	0	0
	(1,928,684)	**0**	**0**	**0**	**0**	**0**
Construction Costs						
Construction Cost	0	0	0	0	0	0
Road/Site Works	0	0	0	0	0	0
Statutory/LA	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Professional Fees						
Professional Fees	(59,647)	(57,783)	(55,919)	(54,055)	(52,192)	(50,328)
	(59,647)	**(57,783)**	**(55,919)**	**(54,055)**	**(52,192)**	**(50,328)**
Marketing/Letting						
Marketing	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Capitalisation						
Unit Sales	0	0	0	0	0	0
Capitalised Rent	0	0	0	0	0	0
Net Cash Flow Before Finance	**(1,988,331)**	**(57,783)**	**(55,919)**	**(54,055)**	**(52,192)**	**(50,328)**
Debit Rate 7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
Credit Rate 0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Finance Costs (All Sets)	0	(11,599)	(11,936)	(12,399)	(12,714)	(13,019)
Net Cash Flow After Finance	**(1,988,331)**	**(69,382)**	**(67,855)**	**(66,455)**	**(64,906)**	**(63,346)**
Cumulative Net Cash Flow Monthly	(1,988,331)	(2,057,713)	(2,125,568)	(2,192,023)	(2,256,929)	(2,320,275)

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Arlington Works (4 x SO Post-Submission Amendment)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Grouped Cash Flow Part 1

007:Dec 2018 (2,320,275)	008:Jan 2019 (2,368,739)	009:Feb 2019 (3,089,670)	010:Mar 2019 (3,372,285)	011:Apr 2019 (3,703,166)	012:May 2019 (4,115,072)	013:Jun 2019 (4,660,665)	014:Jul 2019 (5,196,772)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	(84,382)	(192,504)	(288,009)	(370,898)	(441,171)	(498,827)	(543,868)
0	(60,000)	0	0	0	0	0	0
0	(529,950)	0	0	0	0	0	0
0	**(674,332)**	**(192,504)**	**(288,009)**	**(370,898)**	**(441,171)**	**(498,827)**	**(543,868)**
(48,464)	(46,600)	(44,736)	(42,872)	(41,008)	(39,144)	(37,280)	(35,416)
(48,464)	**(46,600)**	**(44,736)**	**(42,872)**	**(41,008)**	**(39,144)**	**(37,280)**	**(35,416)**
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(48,464)	**(720,932)**	**(237,239)**	**(330,881)**	**(411,906)**	**(480,315)**	**(536,107)**	**(579,283)**
7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
(13,535)	(13,818)	(18,023)	(19,672)	(21,602)	(24,005)	(27,187)	(30,315)
(61,998)	**(734,749)**	**(255,262)**	**(350,552)**	**(433,508)**	**(504,319)**	**(563,294)**	**(609,598)**
(2,382,274)	(3,117,023)	(3,372,285)	(3,722,838)	(4,156,345)	(4,660,665)	(5,223,959)	(5,833,557)

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Arlington Works (4 x SO Post-Submission Amendment)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Grouped Cash Flow Part 1

015:Aug 2019 (5,776,055)	016:Sep 2019 (6,477,094)	017:Oct 2019 (7,104,880)	018:Nov 2019 (7,737,995)	019:Dec 2019 (8,488,186)	020:Jan 2020 (9,094,106)	021:Feb 2020 (9,667,504)	022:Mar 2020 (10,354,722)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(576,292)	(596,099)	(603,290)	(597,865)	(579,824)	(549,166)	(505,893)	(450,002)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(576,292)	**(596,099)**	**(603,290)**	**(597,865)**	**(579,824)**	**(549,166)**	**(505,893)**	**(450,002)**
(33,552)	(31,688)	(29,824)	(27,960)	(26,096)	(24,232)	(22,368)	(20,504)
(33,552)	**(31,688)**	**(29,824)**	**(27,960)**	**(26,096)**	**(24,232)**	**(22,368)**	**(20,504)**
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(609,843)	**(627,787)**	**(633,114)**	**(625,825)**	**(605,920)**	**(573,398)**	**(528,260)**	**(470,506)**
7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
(33,694)	(37,783)	(41,445)	(45,138)	(49,514)	(53,049)	(56,394)	(60,403)
(643,537)	**(665,570)**	**(674,559)**	**(670,963)**	**(655,434)**	**(626,447)**	**(584,654)**	**(530,909)**
(6,477,094)	(7,142,663)	(7,817,223)	(8,488,186)	(9,143,620)	(9,770,068)	(10,354,722)	(10,885,631)

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Arlington Works (4 x SO Post-Submission Amendment)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Grouped Cash Flow Part 1

023:Apr 2020 (10,825,228)	024:May 2020 (11,225,364)	025:Jun 2020 (11,731,544)	026:Jul 2020 (11,953,089)	027:Aug 2020 (8,772,529)	028:Sep 2020 (7,242,277)	029:Oct 2020 (5,551,717)	030:Nov 2020 (3,861,157)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(381,496)	(300,373)	(206,634)	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(381,496)	**(300,373)**	**(206,634)**	**0**	**0**	**0**	**0**	**0**
(18,640)	(16,776)	(14,912)	0	0	0	0	0
(18,640)	**(16,776)**	**(14,912)**	**0**	**0**	**0**	**0**	**0**
0	0	0	(52,285)	(52,285)	(52,285)	(52,285)	(69,714)
0	**0**	**0**	**(52,285)**	**(52,285)**	**(52,285)**	**(52,285)**	**(69,714)**
0	0	0	3,232,846	1,742,846	1,742,846	1,742,846	2,323,794
0	0	0	0	0	0	0	0
(400,136)	**(317,149)**	**(221,546)**	**3,180,560**	**1,690,560**	**1,690,560**	**1,690,560**	**2,254,080**
7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
(63,147)	(65,481)	(68,434)	(50,868)	(41,006)	(32,080)	(22,218)	(8,968)
(463,283)	**(382,630)**	**(289,980)**	**3,129,692**	**1,649,554**	**1,658,480**	**1,668,342**	**2,245,112**
(11,348,913)	(11,731,544)	(12,021,523)	(8,891,831)	(7,242,277)	(5,583,797)	(3,915,455)	(1,670,343)

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Arlington Works (4 x SO Post-Submission Amendment)
Arlington Road, St Margarets TW1 2AZ
Sharpes Refinery Service (Hydro-Carbons) Ltd

Grouped Cash Flow Part 1

031:Dec 2020
(1,670,343)
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(445,087)
2,323,794
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4,479,194
7.000%
0.000%
0
4,479,194
2,808,851

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