

Report & Valuation

E20 STADIUM
QUEEN ELIZABETH OLYMPIC PARK
STRATFORD
LONDON E20

On behalf of
E20 STADIUM LLP

16 June 2015

Prepared by

GL Hearn Limited
280 High Holborn
London WC1V 7EE

T +44 (0)20 7851 4900
F +44 (0)20 7851 4910
glhearn.com

Reference: JS/.....

Contents

	PAGE
1.0 INTRODUCTION	4
2.0 THE PROPERTY	5
3.0 BASIS OF VALUATION	5
4.0 CONDITION	7
5.0 ENVIRONMENTAL MATTERS	7
6.0 TOWN PLANNING AND HIGHWAYS	7
7.0 TENURE	7
8.0 TENANCIES	8
9.0 MARKET VALUE	9
11.0 REGULATED PURPOSE VALUATION DISCLOSURES	9
12.0 CONFIDENTIALITY	9
Appendix A Valuation Assumptions	
Appendix B Location and Site Layout Plans	

Quality Assurance

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it has been signed by the Originator and approved by a Director.

Date
16/06/2015

Originator
James Smith MRICS
Valuation Director

Approved
Jonathan Rhodes MRICS
Valuation Director

Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

To the extent that the document is based on information supplied by others, GL Hearn accepts no liability for any loss or damage suffered by the client.

Date: 16 June 2015
Our Ref: JS/.....

The Directors
E20 Stadium LLP
C/O London Legacy Development Corporation
Level 10, 1 Stratford Place
Stratford
London
E20 1EJ

For the Attention of: Richard Irish – Financial Controller

16 June 2015

Dear Sirs

E20 Stadium, Queen Elizabeth Olympic Park, London E20 2ST

1.0 INTRODUCTION

- 1.1 Further to your instructions, dated 5th February 2015, to provide a valuation of the above premises for financial accounting purposes only, we have the pleasure in reporting as follows.
- 1.2 Our Valuation Report is set out below and has been prepared in accordance with the current edition of the Valuation Professional Standards prepared by the Royal Institution of Chartered Surveyors ('the Red Book'). We have acted in the capacity of an External Valuer, as defined within those Standards. Our report is also subject to the definitions, caveats and assumptions contained in this report.
- 1.3 We confirm that, so far as we are aware, in providing this advice no conflict of interest exists that prevents us from providing a formal valuation of the property. We confirm that we have sufficient professional indemnity insurance for this instruction.
- 1.4 This valuation has been prepared by James Smith MRICS, Valuation Director and overseen by Jonathan Rhodes MRICS, Director and Head of Valuation. We confirm that both James Smith and Jonathan Rhodes have the appropriate knowledge, skills and understanding to undertake this valuation competently. Both James and Jonathan are RICS Registered Valuers.

- 1.5 In accordance with your instructions we have only been permitted to undertake a brief inspection of the subject property and in arriving at our opinion of value have relied upon information provided by yourselves and by your accountants Messrs. Ernst and Young LLP. It is assumed for the purposes of this Valuation that the property is in a condition commensurate with its age and use as we understand them.
- 1.6 We are in receipt of a number of documents provided by yourselves or by Messrs Ernst and Young upon which we have relied on for the purposes of this valuation exercise and report. These are listed below:
1. A site plan.
 2. A copy of the lease between London Legacy Development Corporation (Landlord) and E20 Stadium LLP (tenant), dated 20 December 2013.
 3. A Draft E20 LLP Business Plan, dated 4 March 2015.
 4. A Draft E20 LLP Business Plan 10 year revenue projection, dated 27 May 2015.
 5. A valuation report prepared by Jones Lang LaSalle, dated 15 July 2014.
 6. A valuation report prepared by Lambert Smith Hampton, dated 6 August 2014.
- 1.7 We have been provided with no other documentation or legal papers for the purposes of this valuation.
- 1.8 The valuation has been prepared as at 31 March 2015. Our valuations are subject to our standard Valuation Terms, Conditions and Assumptions. In the event that any of our Assumptions prove to be incorrect then our valuations should be reviewed.

2.0 THE PROPERTY

- 2.1 The property is located on the Queen Elizabeth Olympic Park in Stratford, east London, within the London Borough of Newham. It comprises a modern, purpose built sports stadium with a 54,000 seat capacity in "football mode", with surrounding land and car parks providing 257 car parking spaces and 3 coach parking spaces. It is currently undergoing transformation works, which include the provision of retractable seating and a larger roof; the outstanding costs of transformation works are estimated to be [REDACTED] with £18.45 million towards these costs being contributed by West Ham United FC and The London Marathon Trust. The stadium is on a large, irregular shaped site, approximately 1 acre (0.405 hectares) of which at the south eastern extremity has been identified as a potential development site.

3.0 BASIS OF VALUATION

- 3.1 We have carried out the valuation of the properties as at 31st March 2015 having regard to market conditions prevailing at that time.
- 3.2 In accordance with your instructions, we have undertaken our valuations on the following bases as defined within the RICS Valuation Professional Standards:-
- The Fair Value of the long leasehold interest in the property subject to any tenancies, but otherwise with the benefit of vacant possession.
- 3.3 The above valuation will be undertaken in accordance with IAS 40 Investment property and is consistent with EPRA guidance, level 3, as defined by IFRS 13 Fair Value Measurement, when a valuation model cannot rely on inputs that are directly available from an active market.
- 3.4 IFRS 13 defines Fair Value as follows:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

3.5 "Fair Value", for the purposes of financial reporting under UK Financial Reporting Standards is effectively the same as "Market Value", which is defined as:

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

3.6 However, there is a distinction which may sometimes need to be considered. This relates to the value a special purchaser may be prepared to bid for the property. Should it be reasonably expected for the open market to be aware of this special purchaser interest, then the opinion of Fair Value provided should reflect this.

3.7 The basis of our Valuation and the assumptions are attached hereto.

3.8 **Additional Specific Assumptions for this Valuation**

3.8.1 We have not been provided with a copy of a Report on Title and recommend if one has been undertaken we are provided with a copy should there be anything contained therein which would make it necessary for us to reconsider our opinion of value. In the absence of a Report on Title, we have assumed that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoing or conditions, likely to have an adverse effect upon the value of the properties, and we have assumed that good and marketable titles are held.

3.8.2 In accordance with your instructions we have assumed that the outstanding transformation works have been satisfactorily completed and all costs related thereto have been incurred.

3.8.3 We have assumed that the subject premises conforms with all the appropriate planning, building and fire permissions and regulations for their current use.

3.8.4 We have assumed for the purposes of this valuation exercise that no deleterious materials exist in the property.

3.8.5 In the absence of any requirement for us to undertake detailed internal inspection of the property, we have assumed that it is in a good state of repair and condition, whether this be to let or for sale purposes.

3.8.6 We have assumed that all mains water, gas and electricity services are or could be supplied to the subject property and that it is or could be connected to the mains drainage system. We have undertaken no tests to ascertain the condition and capacity of these services and have assumed for the purposes of this valuation that all existing plant and services are in good order.

3.8.7 We have assumed that the draft E20 business Plan 10 year revenue projection is a fair and accurate estimate of the revenue and surplus that could potentially be generated over the next 10 years. Should any of this information prove to be incorrect this may have a significant impact on the valuations reported herein.

3.8.8 We have not been provided with a copy of an EPC for the subject property and have assumed for the purposes of our Report that the vendor/landlord will make one available to prospective purchasers/tenants. We have assumed for the purposes of our Report that the EPC Banding given will have no material impact upon the Valuation figures reported in the absence of demonstrable market evidence to the contrary.

3.8.9 In the absence of the appropriate information, we have made no allowance in this valuation for any effect in respect of actual or potential contamination of land or buildings. If it is subsequently established that contamination exists at the property or on any neighbouring land or that the premises have been, or are being, put to any contaminative use then this might reduce the value now reported.

4.0 CONDITION

4.1 We have not undertaken structural surveys of the property, tested the services or arranged for any investigations to be carried out to determine whether deleterious materials have been used in the construction or subsequent alteration or addition to the premises, as this was outside the scope of our instructions.

5.0 ENVIRONMENTAL MATTERS

5.1 We have made verbal enquiries of the relevant local authority in whose area the property is situated. They could not comment as to whether the property was on contaminated land without undertaking a site specific survey. A purchaser in the market might, in practice, undertake further investigations than those undertaken by us.

5.2 Commensurate with our Assumptions set out above we have made no allowance in this valuation for any effect in respect of actual or potential contamination of land or buildings. If it is subsequently established that contamination exists at the property or on any neighbouring land or that the premises have been, or are being, put to any contaminative use then this might reduce the value now reported.

5.3 We have made enquiries of the Environment Agency web site and are advised that the subject property falls outside the extent of the extreme flood. The site is categorised as having a Very Low risk of flooding equivalent to less than 0.10% (1 in 1,000).

5.4 If the property lies within or close to a flood plain, or has a history of flooding, we have made an assumption that building insurance is in place regarding flooding and available to be renewed by the current or any subsequent owner of the property, without payment of an excessive premium or excess.

6.0 TOWN PLANNING AND HIGHWAYS

6.1 We have made verbal enquiries of the relevant planning authority as to the possibility of highway improvement proposals, comprehensive development schemes and other ancillary planning matters that could affect property value(s).

6.2 We draw your attention to the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. If you should need to rely upon the information given about town planning matters, your solicitors should be instructed to make formal searches.

7.0 TENURE

7.1 We have been instructed to value the unencumbered long leasehold interest in the property, the extent of which as advised by yourselves is edged red on the attached Ordnance Survey extract at Appendix B.

7.2 We have been provided with a copy of the lease, between London Legacy Development Corporation (landlord) and E20 Stadium LLP (tenant), which is drafted for a term commencing 20 December 2013 and expiring 1 September 2125, [REDACTED]. The tenant has full repairing, decorating and insuring obligations and is permitted to underlet a permitted part of the demised premises. The permitted use of the property is for any purpose in connection with the delivery of a programme of sport, community, entertainment, cultural and commercial events or such other use as the landlord may consent to.

7.3 In the absence of a Report on Title, we have assumed that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoing or conditions likely to have an adverse effect upon the value of the property. We have also assumed for the purposes of this valuation and report that good and marketable title is held.

7.4 **VAT:** We have assumed that no election has been made to waive exemption to VAT in respect of this property. The valuation(s) included in this Report are net of Value Added Tax at the prevailing rate.

8.0 OPERATOR AGREEMENT AND TENANCIES

8.1 We have been provided with draft Business Plan dated 4 March 2015. From this we understand that the stadium is subject to a Stadium Plus Operator Agreement with London Stadium 185 Limited, a special purpose vehicle formed and guaranteed by Vinci Concessions SAS (now Vinci Stadium), which appointed Vinci as operator of the stadium for a term of 25 years ending in April 2035. Vinci are responsible for all aspects of running and managing the stadium on a day-to-day basis as well as bringing in new events and activities.

8.2 [REDACTED]

8.3 The stadium has 2 anchor tenants, namely West Ham United FC and UK Athletics.

8.4 The term of the Concession Agreement with West Ham United is for 99 years and entitles the club to use the stadium as their home ground for all home football matches, paying a usage fee of [REDACTED] and [REDACTED]. [REDACTED]

8.5 [REDACTED]

8.6 The Access Agreement with UK Athletics grants them the right to use the stadium to stage athletics events between the last Friday in June and 31 July each year, [REDACTED]. [REDACTED] The LLP will retain spectator catering income.

8.7 [REDACTED]. We have relied upon this Business Plan and the projected revenues/surplus in arriving at our valuation.

9.0 FAIR VALUE

9.1 On the bases and assumptions contained within this report and having given the matter careful consideration, we are of the opinion that the Fair Value of the long leasehold interest in the subject property, subject to the business plan as detailed herein and in accordance with the RICS Valuation Professional Standards and the additional specific assumptions outlined above and the definitions, caveats and assumptions attached hereto, as at 31 March 2015, is:-

£40,000,000
(FORTY MILLION POUNDS)

9.2 This valuation is provided on the assumption that the transformation works have all been completed satisfactorily. The costs of these outstanding transformation works currently stand at [REDACTED], of which £18.45 million is to be contributed by West Ham United FC and The London Marathon Trust.

9.3 We have provided an informal apportionment of value between land and buildings in accordance with UKPS 1.8 and UK Appendix 1.4. This is a hypothetical apportionment for depreciation purposes. The individual figures do not represent the Market Value of the land or building elements and should be used for financial accounting purposes only. The Fair Value can be apportioned between buildings and land as follows:

Buildings:	£ 30,000,000
Land:	£ 10,000,000
Total DRC:	£ 40,000,000

10 REGULATED PURPOSE VALUATION DISCLOSURES

10.1 This is the first year of property asset valuations provided to E20 Stadium LLP to which James Smith MRICS has been a signatory since being at GL Hearn Limited.

10.2 E20 Stadium LLP has been a client of GL Hearn for a period of less than one year. Current instructions include the provision of valuation advice only.

10.3 Fee income received by GL Hearn Limited from E20 Stadium LLP for the financial year 2014/15 was less than 5% of total fee income for that year. It is not anticipated that there will be a material increase in total fees payable in the current 2015/16 financial year.

11.0 CONFIDENTIALITY

11.1 The contents of this Report and Appendices are confidential to the party to whom they are addressed for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents.

11.2 Before this Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt such approval is required whether or not GL Hearn are referred to by name and whether or not the contents of our Report are combined with others.

Yours faithfully

James Smith MRICS
Valuation Director
RICS Registered Valuer

For and on behalf of GL Hearn Limited

DRAFT

APPENDIX A
VALUATION ASSUMPTIONS

VALUATION ASSUMPTIONS

In carrying out this Valuation we have made the following assumptions in relation to each property. References to PS and UKPS are to the Practice Statements of the Valuation Professional Standards (6th Edition) published by the Royal Institution of Chartered Surveyors.

A1 BASIS OF VALUATION

- 1 We have adopted as the basis of our valuation Fair Value ('MV') as defined in PS 3.5:
"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".
- 2 The basis of valuation is a statement of the fundamental principles of a valuation on a specified date. Any change in basis is likely to have a material effect on the valuation.
- 3 Our revaluations reflect market conditions as at the valuation date of 31st March 2015.
- 4 We confirm that with the exception of the assumption that the transformation works have been satisfactorily completed, in our view no "Special Assumptions" as envisaged in PS 2.3 have been made in arriving at our opinions of value.
- 5 We have not reflected any element of "marriage value" and have valued the property as a single property unit and not as part of any property portfolio.

Valuation Uncertainty

- 6 The Valuation has been made having regard to market conditions as at the date of valuation. Specific factors affecting the general economic and property outlook may cause short term movement in values due to changes in investment yields and demand for particular types of property. In the event of any transaction being contemplated at a subsequent date it is recommended that a reassessment of value for the purpose of that transaction be made.
- 7 The valuation of assets including property in the current market is unusually challenging due mainly to a reduction in the number of comparable property transactions. Recent macroeconomic events have caused a dramatic change in property markets, manifested by disinclination to trade until it is clear how prices in the market will be affected in the longer term.
- 8 Notwithstanding the very significant fall in the volume of transactions together with similar falls in the availability of bank financing, markets are still functioning, albeit at far lower volumes of transactions than hitherto.
- 9 This means there is a lesser amount of comparable evidence on which to base our opinions of value. While we are confident of the opinions expressed within this report are reasonable, we must point out that current market conditions mean these are subject to a degree of uncertainty.

A2 CONDITION OF PREMISES

- 1 We have assumed that the premises, as described in Appendix A are in the condition existing at the time of our inspection. We were not instructed to carry out a structural assessment or building condition survey and cannot give any assurance as to their structural condition, the absence of rot or timber infestation, or the service installations. None of the services were tested during the course of our inspections of the properties. In addition:

- a) We have not made allowances for items of disrepair where these were patent and significant and would materially affect the market value. In these cases as we have not carried out a structural assessment or building condition survey the items identified do not purport to be a list of all or potential defects.
- b) In the case of English properties, no allowances have been made for any rights, obligations or liabilities which might arise under the Defective Premises Act 1972. This Act does not apply to Scotland.
- c) We have assumed there are no adverse ground conditions or latent defects, other than those specifically referred to, which would materially affect value.

2 We have assumed that the land and buildings together with their uses evident at the time of our inspection:

- a) are lawfully established and not in breach of any planning permission, Act of Parliament or regulation thereunder, by-law of a local authority, or similar provision or any conditions attached thereto,
- b) will comply with the provisions as to user contained in any lease and conform to any enforceable restrictive covenant,
- c) are served by easements for rights of way, support, services and emergency escape routes etc which are enjoyed as of right or will be renewable upon terms which will not materially affect value,
- d) are not detrimentally affected by any highway, town planning or compulsory purchase proposals,
- e) are not subject to outstanding notices requiring substantial works to be carried out.

3 We have assumed that adequate public and private utility services are available for the premises existing uses and that these services will continue for the foreseeable future without material change.

4 In cases where properties lie within or close to a flood plain or have a history of flooding we assume that building insurance is available without payment of an excessive premium or excess.

A3 **TENURE**

1 With regard to premises subject to a lease, and unless otherwise stated, we have assumed that:

- a) any provision for the review of rent is upwards only to full market rent of the property, as existing at the time of our inspection, without any restrictions, assumptions, covenants or conditions which might materially affect the open market rental value, and
- b) the provisions for the review of any rent will be operative on the dates referred to in the details of tenure, and
- c) the lease freely permits sub-letting and assignment of the whole premises, and
- d) the uses to which the premises are put comply with the covenants contained in the lease, and
- e) there are no material breaches of covenants, and

f) there are no restrictive covenants or any other limitations whatsoever which might materially affect the open market capital value.

2 We have assumed that the tenure information supplied to us by your company is correct and that good titles can be shown free of any encumbrances, borrowings, unusual or onerous charges or covenants which would materially affect the value.

A4 **TAXATION**

1 We have neither had regard to any allowances, grants or subsidies of any nature which may be available from Central or Local Government or any other body statutory or otherwise, nor any liability to repay such sums which may arise upon disposal.

2 We have not included VAT at the standard rate on any of the following:

- a) Construction materials and services on new or altered non-domestic property.
- b) Professional services.
- c) Demolition costs and other similarly associated construction costs.
- d) Receipts from the freehold sale of a new non-domestic building.
- e) Receipts from the freehold sale of an existing non-domestic building.
- f) Receipts from the sale of a lease or the rent on a lease of developed or undeveloped land.

Items a to d above will be charged VAT at the standard rate, items e and f are exempt but with an irrevocable option for VAT to be charged. The incidence of VAT on rents, capital receipts and construction work and services could be significant and we recommend this be investigated in detail before any decision is taken to proceed with a transaction.

3 In arriving at our opinion of value we have made no allowance for Capital Gains Tax or any other tax liability nor any allowance for expenses of realisation which might arise upon disposal whether deemed or otherwise.

A5 **ITEMS EXCLUDED**

1 All Plant and Machinery installed wholly or primarily in connection with industrial or commercial processes has been excluded from our opinion of value.

2 All antiques, fine art and chattels have been excluded from our opinion of value.

3 A full list of items excluded from our valuation is included within the 'Treatment of Assets' included as part of this appendix.

A6 **EQUALITY ACT 2010**

1 The act imposes a duty to make physical alterations or adjustments to property occupied by employers with fifteen or more employees. This can impact on the value of the property interest.

2 Employers are under a duty to make reasonable changes to practices and procedures within the workplace to enable disabled people to do their jobs. This may extend to making physical

alterations to the workplace. These provisions originally came into force in 1996 under the Disability Discrimination Act, and further provisions came into effect in October 2004, when Part III of this Act came into force. This has now been superseded by the above Act.

- 3 This covers the provision of goods, services and facilities directly to the public. From this date, a service provider has to take reasonable steps to remove or alter any feature that makes it impossible, or unreasonably difficult, for a disabled person to make use of services.

A7 CONTAMINATED LAND

- 1 We understand that the LLDC has established procedures for inspections of the subject properties to be carried out with particular reference to environmental matters, and that any such matters identified receive appropriate attention. Unless we have been provided with information (which is referred to in this report) to the contrary, we have assumed that the properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future use of the properties. Where we have received from the company evidence regarding contamination we have reflected this in our valuation but unless otherwise stated have assumed that the cost of any decontamination work would be immaterial thereto.

A8 FIRE SAFETY LAW

- 1 The Regulatory Reform (Fire Safety) Order 2005 came into effect on 1 October 2006 and applies to all non-domestic property. The Order replaces the certificate procedure under the Fire Precautions Act 1971 with a requirement for the 'responsible person' (e.g.: occupier or owner of a property) to make a suitable and sufficient assessment of the risks and to identify the fire precautions required to comply with the Order.
- 2 It is assumed that an adequate Fire Risk Assessment has been carried out and the significant findings recorded where there are more than five people employed on the premises.

A9 APPORTIONMENT FOR DEPRECIATION PURPOSES

- 1 In accordance with your instructions we have provided informal apportionments of our Valuation of freehold and long leasehold premises between the "depreciable amount" representing the value of buildings and the "residual amount" representing the value of the land for its existing use, as set out in UKPS 1.8 and UK Appendix 1.4. The apportionments are provided for depreciation for financial accounting purposes only and the individual figures do not represent either the Market Value or Existing Use Value of the land or the building elements.

APPENDIX B
LOCATION AND SITE LAYOUT PLANS