AN INVESTMENT OPPORTUNITY FROM RIVERSIDE CAPITAL

overview

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This document contains the key details of Riverside Capital's latest investment opportunity, Sherborne House, 119–121 Cannon Street. For more background information, a Research report is available.

Sources used in writing this document are referenced using footnotes; with descriptions listed on page 62 of this document.

SHERBORNE HOUSE
119–121 CANNON STREET

01.
Statement from Dominic Wright, Group CEO

Dominic Wright
Group CEO
Riverside Capital

London is arguably more vibrant today than it has ever been. It is home to a growing number of dynamic business clusters that galvanize with one single aim; to give the city its competitive edge on the global stage. Nowhere in Europe comes close, and few places in the world match its credentials.

As the leading global hub for fintech companies, the City of London is being transformed by a new dynamic. No longer the domain of all things finance and banking, you now find tech giants, shared working spaces, 5* hotels, world-class restaurants and bars, and a retail offering to rival London's West End.

History, industry and stunning new developments, such as Bloomberg's new £1bn headquarters and the £250m Ned hotel, have helped the area around Cannon Street to fight back against the jump-start locations that sought to steal its crown as the place to work and play.

In the same way that The Shard transformed Southwark, these developments – combined with the improved connectivity that Bank Station's £600m refurbishment will bring – are game-changers for the area.

With these factors considered, and in comparison with other London locations, we believe Cannon Street is starting to show value. Our latest off-market transaction will give our investors the opportunity to participate in this evolving micro-location.

Building on our strong track record of identifying opportunities ahead of the market, this property – a mixed use retail and office building – offers everything that we look for in a London investment: a prime location, multiple tenants, strong connectivity and a good price.

The following pages provide insights and details of the opportunity, and how we intend to use our asset management skills to make it perform.

02. Key highlights of the opportunity

An exciting 'off-market' opportunity to invest in a mixed-use retail and office freehold property on Cannon Street, in the heart of the City of London. Sherborne House is an attractive, 57,777 sq. ft. building, with high ceilings, excellent natural light and good floor-plates that will appeal to a wide range of tenants.

While the outlook for the overall London commercial property market is forecast to be stable, certain micro locations are set to outperform. Cannon Street is one such location, driven by stunning new developments, an increasingly diverse tenant mix and outstanding connectivity.

The term of the investment is approximately three and a half years, with a targeted sale of the asset in, or around, December 2021.

Prime location for growth

Recent developments close to Cannon Street, including Bloomberg's £1 billion European headquarters and the 5* Ned hotel and private members club, are transforming the area, reinforcing its position as one of the most dynamic business locations in the world and turning it into a thriving centre for not only business, but also retail, entertainment and cultural activity.

Outstanding connectivity

Cannon Street's already excellent connections are being further enhanced by the redevelopment of Bank Station, with two new entrances, one of which lies adjacent to the property.

Strong potential for income growth

With a corporate-style fit-out present, most suited to finance companies, refurbishing the property's office and common space to a more modern standard and letting out vacant office space provides the opportunity for significant rental growth.

Architectural merit boosts building's appeal

The building's partially Grade II listed facade remains intact. Combined with the modern interior, this is a building that tenants will be proud to call home. 8,500 sq. ft. floor-plates and good floor-to-ceiling heights add further appeal.

Mixed-used investment

Currently let to a range of tenants in different industries, this mixed-use and multi-let investment reduces tenant risk and eases cash flows by providing diversification.

Attractive entry price

The purchase cost of £816 psf is good value given the property's attractive fundamentals and outstanding connectivity. This provides a solid foundation for future returns, with a projected base case return of 10.08% based on selling the property at £1,100 psf and with the potential for additional upside.

Investment will be via a Guernsey authorised and regulated cell of Riverside Capital Protected Cell Company (PCC) Limited (see page 48 for more information).

Funding

The purchase price of Sherborne House is £47.15 million. Once structure set-up costs, fees and working capital are included, the total cost rises to £53.43 million.

Funding will be a combination of equity and debt. Riverside Capital will raise equity funding of £27.5 million, while Lloyds Bank Plc will provide the debt element amounting to £25.93 million.

The closing date for the equity investment is 18 May 2018. Equity investment is available from £25,000.

Purchase price (£m)	£47.15
Transaction costs (£m)	£2.90
Working capital (£m)	£3.38
Total cost (£m)	**£53.43**

Funded by:

Bank debt (£m)	£25.93
Equity (£m)	£27.50
Total (£m)	**£53.43**

Key dates

18 May 2018	Closing date for equity investment
December 2021	Expected sale of asset

Investment returns

Our base case projected IRR* over the term of the investment is 10.08%, net of all fees and costs, with an upper case return of 14.60% and a lower case return of 5.23%.

We aim for returns to be generated through a blend of income and capital growth.

Income

- Income is derived from the full repairing and insuring leases (FRI)* to a range of tenants in different industries. Details of the current tenants can be found on page 42.
- Income growth will be generated by upcoming rent reviews that are dependent on the Open Market Value* and/or by letting vacant space to new tenants at market rates.
- Of the property's **office** units, two are vacant and the remainder have leases expiring in 2019, 2020 and early 2021. Letting vacant space and refurbishing and re-letting currently occupied spaces in a more modern style should allow for significant rental uplift before the term of the investment ends in late 2021.
- The property's **retail** units have rent reviews in 2019 and 2020, and the lease on one unit expires in 2020. New developments in the immediate vicinity of the property will enhance the location, providing significant opportunity for rental growth.

Growth

- In the same way that The Shard has helped transform Southwark, Bloomberg Place and the Ned hotel are shifting perceptions of Cannon Street. This should boost the potential for capital growth, helping this micro-location to outperform both the overall London commercial property market and the wider City Core, the prime location at the heart of the financial district.
- The redevelopment of Bank Station, which is set to boost its capacity by 40%[9], will include two new entrances, one of which will sit adjacent to the property. Good connectivity is key to any London investment, and these improvements to the location's already outstanding transport links will add further tenant appeal.

* See glossary of terms on page 58

03.
About Riverside Capital

At Riverside Capital we understand that every property is different. We never consider generalities; instead we focus on the specifics of location, building and tenant to identify assets that can deliver exceptional returns, regardless of the ups and downs of the UK commercial property market.

Our primary service is direct property investment.

We seek out commercially-timed opportunities to invest directly into UK property assets on a deal-by-deal basis.

Our aim is to provide our clients with outstanding returns.

Since 2010, we have completed over £1.2 billion* in transactions and have delivered an average 1.8x equity return over an average hold period of 43 months to investors on all exits.

Our insights, expertise and asset management capabilities enable us to see value where others cannot.

Many of our deals are 'off-market' opportunities that are not available to the broader market. We advise in the purchase of every asset we take to our investors, and then manage these assets to deliver income and capital growth.

* 28 February 2018

Track record of success in London

Our focus is on identifying opportunities ahead of the market, finding assets with strong physical attributes and excellent connectivity in locations that we think will outperform. Exit stories for these investments can be found at rivercap.co.uk/track-record.

25 Argyll Street, W1

The then named Regent Arcade House was a beautiful, historic building on the exterior, with a tired and outdated interior, in one of the most desirable areas of London which was in the midst of a massive cultural shift. Seeing the potential of the building, and with the location's rapidly expanding tenant demand – far outreaching its traditional corporate appeal, the asset was purchased for £48 million in 2012. To attract corporate tenants and the now prominent TMT sector alike, we carried out a £3.5 million refurbishment to produce the first building of its kind in the West End, first floor designs were clean and corporate, while those on the fourth and fifth floors incorporated exposed services for a modern aesthetic more suited to TMT tenants. On completion of the works, we achieved lettings with H&M and Spotify, before the building was sold in 2015 for £75 million.

Euston House
24 Eversholt Street, NW1

This historic art deco property sat in the midst of the ambitious Euston Area Plan and next to the future of HS2*. Seeing the revolutionary change that transport focused developments had bought to landmark London hubs such as King's Cross, the 106,145 sq. ft. Euston House was purchased for £42.75 million in 2011. We re-imagined the dated interiors and bought the art deco theme of the facade inside to revamp the reception area, available floors and lifts. The result was a 107% increase on rent from acquisition to the end of our asset management strategy.

* See glossary of terms on page 58

Old Street Works
197–205 City Road, EC1

Old Street Works lies in the heart of London's "Tech City", home of the rapidly growing TMT sector which now employs more people in London than the finance industry, and is set to rise further. Seeing the huge level of prime office, residential and hotel development which was bringing new life to the area, we purchased the building for £27.5 million in 2017. With an investment term of 3.5 years, we set out to refurbish and extend the asset, let vacant floors and increase rents at review. Having completed refurbishment works and three new lettings on vacant space, we will continue rolling out our asset management plan to increase value ahead of the planned sale in 2020.

04. The opportunity

Adding value for our investors is at the heart of what we do. The following provides insight into the investment rationale supporting this opportunity, and provides details on the property itself.

London commercial property
– *Specific assets to drive returns*

The UK economy has proved more resilient than many had predicted, expanding by 1.7%[1] over 2017. While this is the slowest annual pace of growth since 2012, and slower than economic activity in either the eurozone or the US, the dire predictions of many economists about the consequences of the Brexit vote have not materialised.

London remains a great economic success story. As a commercial and cultural powerhouse, the capital continues to dominate rankings of global business competitiveness[2], attracting investment and talent from across the world and enjoying economic growth that far outstrips the rest of the UK. Global tech giants, such as Amazon, Apple, Facebook and Google, remain drawn by London's diverse pool of tech talent and its vibrant start-up ecosystem. London is also ranked as the leading global hub for fintech, employing more people than either Silicon Valley or New York and attracting a record £.1.1 billion of venture capital investment in the first half of 2017[3].

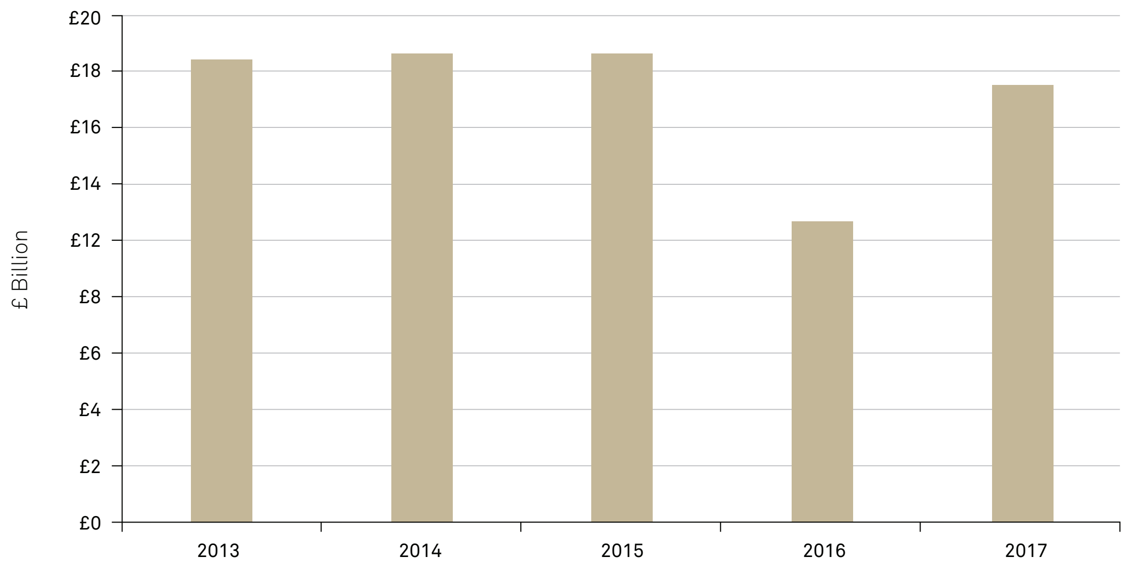
For London offices, that resilience has been seen in investment volumes. These hit £17.4 billion[4] in 2017, a marked increase on the £12.9 billion traded in 2016, albeit below the records set in 2013, 2014 and 2015. Indeed, 2017 was a year of some of the biggest investment transactions on record, with 16 deals in excess of £250 million across Central London[5]. Asian buyers have continued to dominate transactions, attracted by London's liquidity, transparency, high quality stock in large lot sizes, and landlord-friendly leases.

In terms of the occupier market, the overall picture for London offices looks stable. Take-up has been stronger than expected, driven by constrained supply, strong demand from flexible workplace providers and improved trading conditions for most employers. Across Central London, take-up for 2017 totalled 13.8 million sq. ft., an increase of 17% compared to 2016, and 12% above the long-term average[6].

This high level of take-up should help to allay fears that the London office market is set to experience an oversupply of space in 2018/19. While there was more than 6.9 million sq. ft. of speculative space under construction at the end of 2017, some 20% above average levels, more than a quarter is not due to be completed until 2020 at the earliest. Of the remaining 4.9 million sq. ft. of new office stock due to be delivered in 2018 and 2019, this is roughly half the projected level of yearly tenant demand, based on average levels of take-up. As a result, around 33% of new developments in the pipeline are pre-let, as tenants look to secure their preferred options well in advance of when they need them[7]. Therefore, forecasts suggest that there is little danger of the market suffering from oversupply.

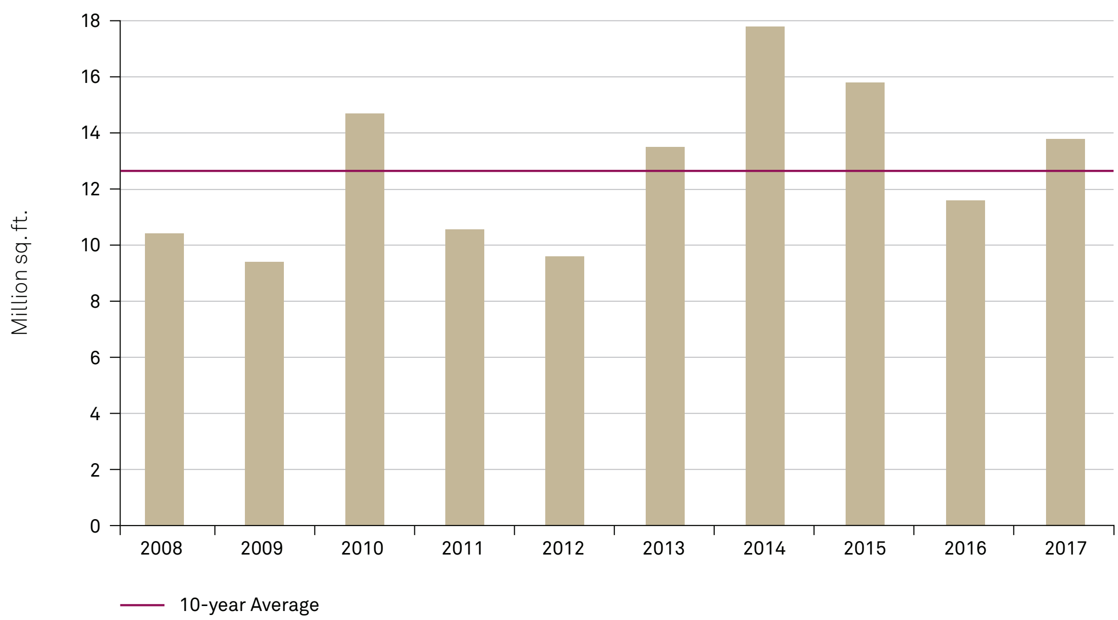
In terms of the prospects for rental growth, rents in most Central London locations are now similar, with the exception of select West End sub-markets, which remain much higher. The stable demand and supply position suggests that rental growth will be relatively low overall. However, within this benign overall picture, there will be winners and losers. The skill will be to find the specific locations and properties which will be winners.

Central London office transactions



Source: JLL Central London Office Market report Q4 2017

Central London take-up



Source: Central London Office Market Q4 2017 – Knight Frank

Brexit
– *A Riverside Capital view*

Whilst negotiations between the UK government and the EU continue, there is still a great deal of uncertainty as to what Brexit will mean to both the wider UK economy and the commercial property market.

A hard Brexit could cause a drop in business activity, which could mean less occupational demand for London offices, potentially leading to a fall in rents and capital values. Locations exposed to finance and banking are thought to be most at risk.

The opposing argument put forward by Brexit supporters is the reverse scenario. The IMF predicts that 90% of world growth will be outside of the EU in the next decade and it is argued that the UK will be in a position to forge its own relationships with non-EU countries going forward. Donald Trump's view that the UK will be at the front of the queue – rather than the back, as suggested by Barrack Obama – when it comes to a trade agreement between the UK and US, adds to the Brexiteers case for a successful Brexit, albeit the timescales for new deals with trading partners remain unknown.

Riverside Capital's view is that the truth will lie somewhere in the middle of these opposing views, and in the meantime, this uncertainty provides a buying opportunity. In review of the facts as they stand today, reports from 2017 – the first full calendar year since the referendum vote – give an indication as to how businesses are adjusting.

The City of London, historically known for its links to finance and banking, is no longer reliant on these industries. In 2017, the financial sector accounted for only 17% of tenant demand, compared with 31% in 2007[7]. That said, 2017 saw some key lettings to both Deutsche Bank and Lloyd's who signed leases on 469,000 sq. ft. and 125,000 sq. ft. respectively. The Deutsche Bank letting was notable for the £73.50 psf rent and 25-year lease term. In addition, Q4 2017 saw the highest level of active requirements from financial occupiers since 2009[6].

Demand from tech, fintech and serviced office occupiers has been particularly strong in the overall London market and the City of London in recent years, with companies attracted by the excellent building stock and connectivity. 2017 saw Apple, Google, and Amazon all commit to large-scale new Office space, leading London to emerge as the top fintech location globally[3]. In short, the tech companies have surpassed banking and finance as the main occupational players in London, and the City holds particular appeal due to the quality of building stock.

Prime rents in the City stand at £70.00 psf[5]. For the best buildings, higher rents can be achieved. Fidelity Investments, for example, are paying £83.50 psf under their new lease at 4 Cannon Street. This lease was signed in 2016, post the referendum vote.

To shield against any downturn in occupational activity, we have assumed new lettings for this investment at rents well below the current prime rent for this location to arrive at our base case return. For space that is immediately available on the first and second floors, we have assumed rents of £45 psf., a 33% discount on prime City rents. For the remainder of the space, we have assumed rents of between £50 and £57.50 psf (26% and 15% discount).

We can assume discounted rents to underwrite this opportunity on account of what we consider to be a low entry price to the investment. The £47.15 million (£816 psf.) purchase price compares to a vacant valuation today of £43m, which we feel provides a level of downside protection.

Ultimately, the prime location, connectivity and good physical characteristics of the property are the defence against any fall in rents, Brexit-related or otherwise. History indicates that prime locations and good quality buildings are highly likely to remain in demand, whereas fringe locations and poor-quality properties may suffer.

More on the topic of Brexit and risks and opportunities that the current market presents can be found in our Research Report for this investment, available separately.

"

Ultimately, we believe that the quality of the building, the prime location and its outstanding connectivity will provide both a lever for strong performance and a defence against any Brexit-related downturn.

— Dominic Wright, Group CEO


HOLLAND & BARRETT

Cannon Street
— *Right time, right place*

In the current climate, the winners will be attractive individual buildings that improve the image of tenants, and micro-locations that have excellent connectivity.

Cannon Street is one such sweet spot. The area has undergone a significant transformation in recent years. Gone are the days of being an after-hours wasteland and weekend ghost town. Instead, the area's stunning mix of historic and modern architecture has attracted a new breadth of businesses, with weekend shoppers now drawn by the area's first-class restaurants and shopping. Today, it's as much a hub for tech and media businesses, as one known just for financial services. One of the UK's star tech start-ups, Deliveroo, for example, has taken space in what was once the LIFFE (London International Financial Futures Exchange) building on Cannon Street. It joins the likes of Worldpay and Funding Circle already in residence, proving that tech companies are looking at offices in previously finance-centric locations.

Three developments, in particular, are spearheading Cannon Street's resurgence

The game changers

Bloomberg Place

Bloomberg's Foster + Partners-designed European headquarters has sent a clear message to the world that London remains a centre for global investment. At the building's opening in 2017, Bloomberg's founder stated, "Whatever London and the UK's relationship to the EU proves to be, London's language, time zone, talent, infrastructure and culture will allow it to grow as a global capital in years to come". For the first time, Bloomberg will have all UK employees under one roof, including their software engineers. This brings a new dimension focused on developing artificial intelligence and machine learning to an area historically known as a finance hub.

As a privately-owned company and backed by the tenth wealthiest individual in the world, cost was not a consideration when drawing up plans for Bloomberg Place. Foster + Partners was given an undisclosed budget to invest in developing and testing a wide range of new technologies to design a sustainable building on such a large scale. Bloomberg rejected the concept of a shiny glass tower in favour of building "the world's most sustainable office". The building was given a score of 98.5% and a rating of Outstanding by BREEAM assessors, who rank projects on environmental, social and economic sustainability.

Built with UK-sourced materials and using UK workers wherever possible, the development consists of two triangular-planned buildings covered in hewn Yorkshire sandstone and bronze fins that reference the architectural language of the historic buildings that surround it. A brass ramp spirals up through the centre of the building, while glass elevators face the exterior to give views out over London.

The development is sympathetic to the past, recreating the lost street patterns that once existed in this location, including Watling Street, the Roman road which passed through the site for two thousand years until it was closed by the previous development in 1955. In addition, the development sees the Roman Temple of Mithras returned to its original location, alongside some 14,000 artefacts unearthed at the site.

Three new plazas are open to the public, two of which feature specially commissioned works of art. The development also includes a theatre and a new entrance to Bank Underground Station, as well as 13 retail and restaurant units, with tenants including CARAVAN, Homeslice and Vinoteca, creating a new social hub.

- £1bn construction cost
- 1 million square feet
- 7 year build
- Most sustainable building in the world
- New Bank Station entrance
- 13 restaurants at ground floor
- Roman temple in the basement
- Reinstatement of Roman street pattern

"The centre of gravity has shifted from traditional locations in the West End to further east. The City Core missed out as people went to Soho or Marylebone or wherever, but you only have to look out of the window at the number of tower cranes, the skyscrapers with elevated restaurants, to see the change.

— Gareth Banner, the Ned

The game changers — *Continued*

The Ned

Set across the road from the Bank of England, the Ned takes up residence in the 1924 former Midland Bank building designed by Sir Edwin 'Ned' Lutyens. The building had stood empty for over a decade after the previous occupants HSBC relocated to Canary Wharf: the Grade I listed building's 92 African verdite columns and several hundred banking counters proved too daunting to build around. But with the help of billionaire investor Ron Burkle, chief executive of Soho House Nick Jones has transformed this eleven-storey building into a spectacular hotel and private members club.

Open to the public as well as hotel guests, the former bank retail floor now hosts nine restaurants catering for 850 diners, each with its own theme and some open 24/7. The rooftop bar, Ned's Club Upstairs, has a heated pool overlooking the London skyline and two converted domes with outdoor terraces for eating and drinking.

The Ned's managing director Gareth Banner thinks there is a continued ripple effect of 2012's Olympic overhaul: "Gradually, through that regeneration, the centre of gravity has shifted from traditional locations in the West End to further east. The City Core missed out as people went to Soho or Marylebone or wherever, but you only have to look out of the window at the number of tower cranes, the skyscrapers with elevated restaurants, to see the change. The City Core is actually very handsome and it's crying out for a better hospitality offering than what exists now."

The game changers — *Continued*

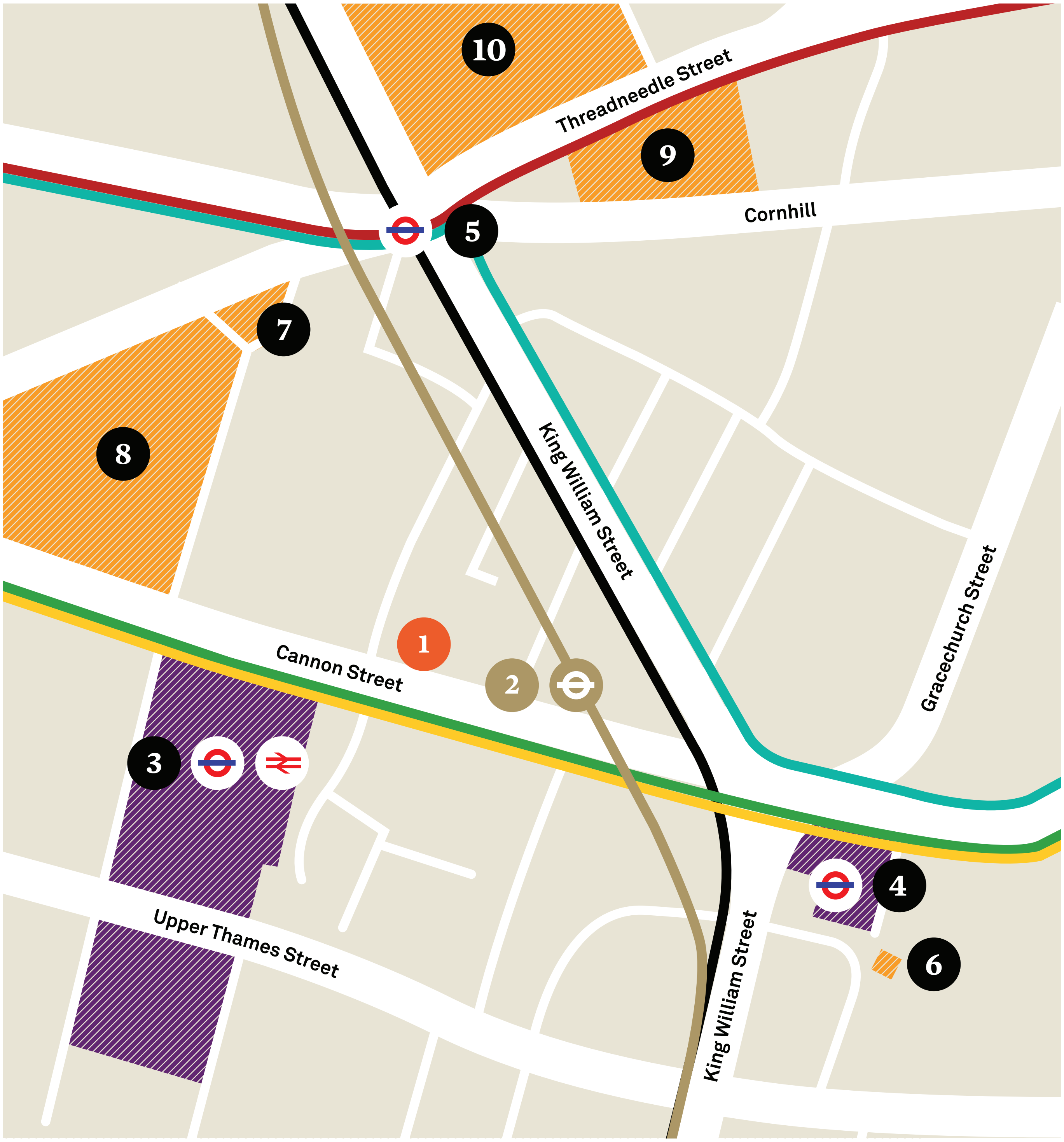
Redevelopment of Bank Station

Bank Station is one of London's key transport hubs. Connected to the Northern, Central and Waterloo & City Underground lines, as well as the Docklands Light Railway, the station acts as one of the gateways to Canary Wharf and is the disembarkation point for many of the City of London's workers.

Located right by the Bank of England, the station is London's third busiest, receiving around 450,000 commuters a day. Transport for London (TfL) says it is now used by 50% more passengers than ten years ago[8]. As the Square Mile gets busier, the station is racing to keep up.

The upgrade, to increase the station's capacity by 40%[9], is set to cost over £600 million and expected to be finished in 2022[10]. New works will include a new Northern Line tunnel and platform, two new entrances (one in Cannon Street and the other under Bloomberg Place), two moving walkways, 12 new escalators and three new lifts, improving the station's accessibility through step-free access[9].

The City of London Corporation has also announced its intention to close the polluted and congested junction at Bank Station to all motorised vehicles except buses. This will improve air quality and make the junction more hospitable for cyclists and pedestrians.



1 Sherborne House

2 New Bank Station entrance

3 Cannon Street Station

4 Monument Station

5 Bank Station

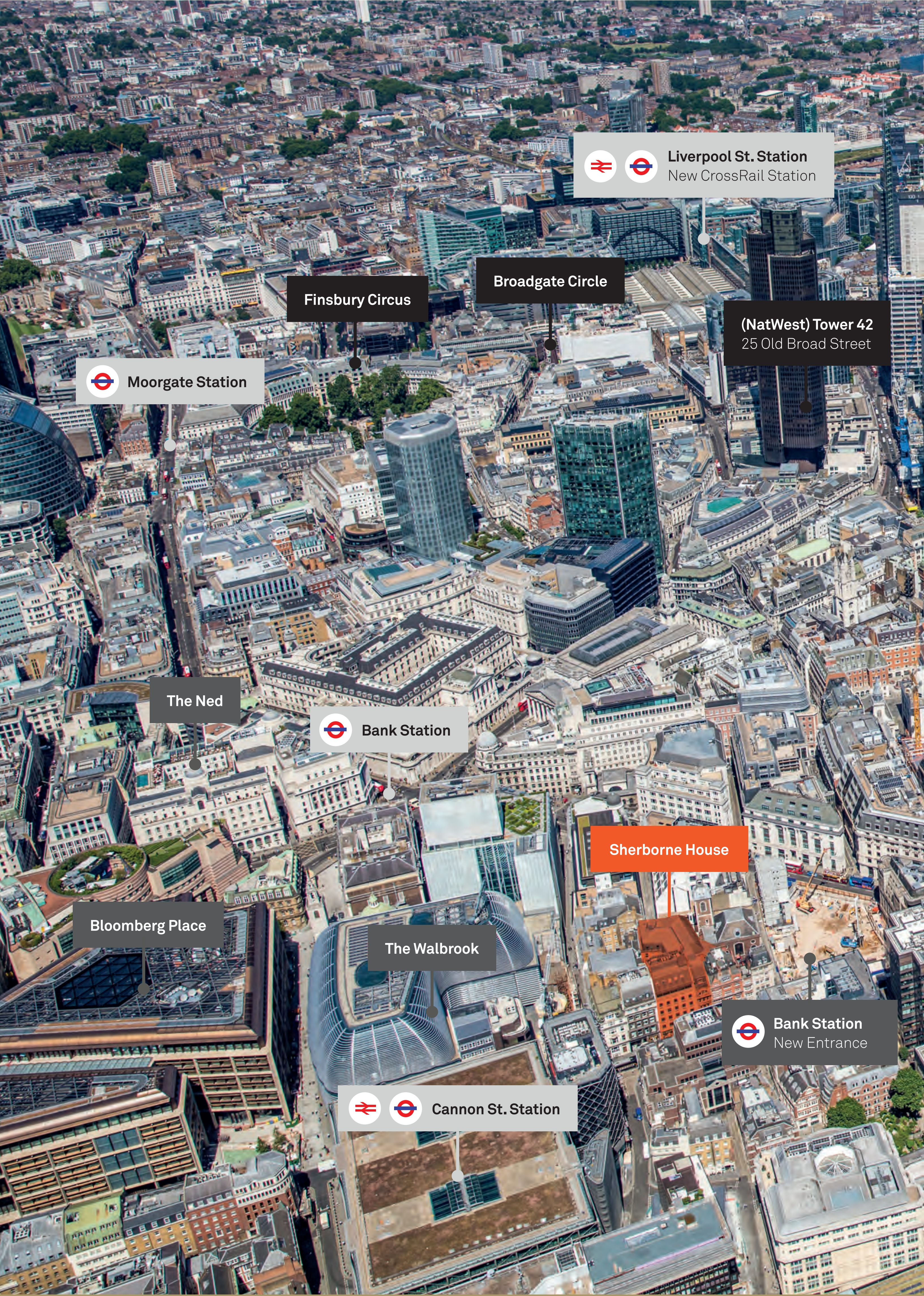
6 Monument

7 Magistrates Court

8 Bloomberg Place

9 Royal Exchange

10 Bank of England



Liverpool St. Station
New CrossRail Station
Broadgate Circle
Finsbury Circus
(NatWest) Tower 42
25 Old Broad Street
Moorgate Station
The Ned
Bank Station
Sherborne House
Bloomberg Place
The Walbrook
Bank Station
New Entrance
Cannon St. Station

The Leadenhall Building
122 Leadenhall Street
The Gherkin
30 St Mary Axe
The Walkie Talkie
20 Fenchurch Street
Fenchurch St. Station
Lloyds of London
1 Lime St
Monument
Monument Station

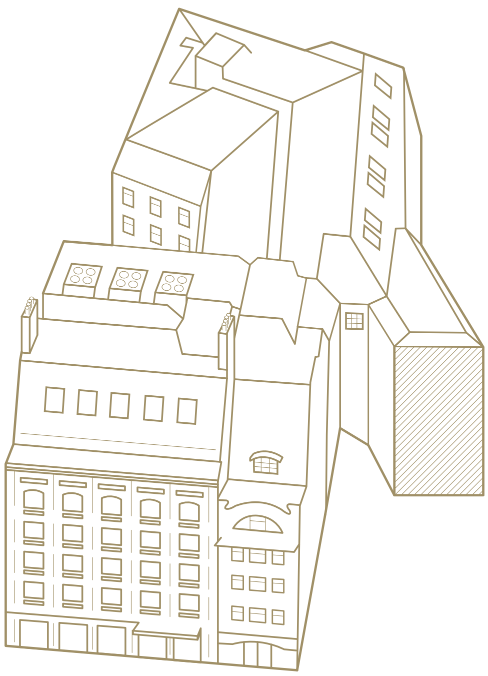
Sherborne House
119–121 Cannon Street

The property

Our ability to offer attractive investments is based on our focus on three elements; income, location and the security of tenants.

We search for the right building in the right location and Sherborne House is one such investment.

Located in the heart of one of the most successful cities in the world and in a micro location that we believe will outperform, this attractive building has the added benefit of outstanding connectivity, which will appeal to a wide range of tenants.



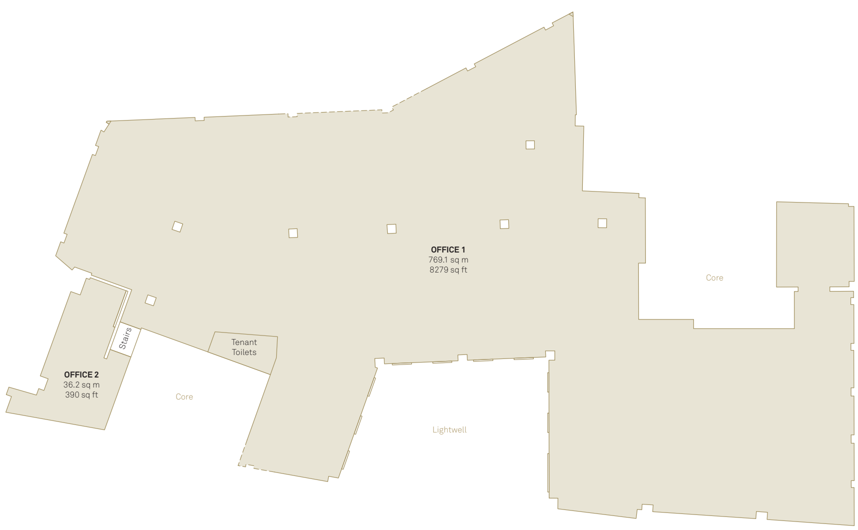
Top-left: WC
Top-right: Foyer detail
Bottom: First floor
Overleaf: Front of building
Next page: Foyer


119 - 121
Sherborne House

Lower ground floor – Retail
6,885 sq.ft.

Ground floor – Retail
8,098 sq.ft.

Typical office space – First floor / Fifth floor
6,182 sq.ft. – 8,525 sq. ft.



Income

Sherborne House is an attractive, 57,777 sq. ft. mixed-use retail and office freehold property in the heart of the City Core. Partially fronted by a Grade II listed facade, the property is arranged over basement, lower ground, ground and six upper floors. With high ceilings and an atrium providing excellent natural light to all floors, the building has good sized floor plates typically around 8,500 sq. ft.

The ground and lower-ground floors are retail units, whereas the upper floors are office accommodation. There is storage space of 1,991 sq. ft. in the basement.

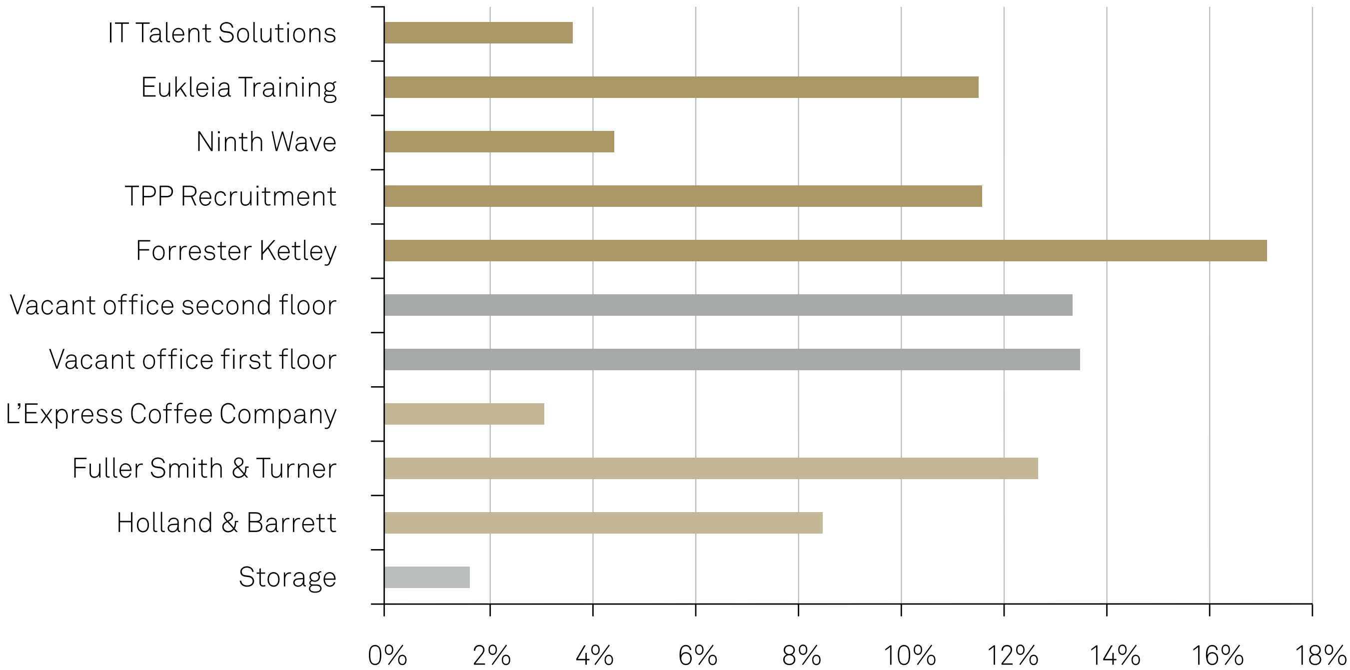
The main access to the property is from Cannon Street: two of the three retail units front directly onto Cannon Street; for office space, a reception area with three passenger lifts provides access to all upper floors. In addition, the ground floor bar/restaurant is accessed via an entrance in Abchurch Yard, an attractive courtyard area opposite the upcoming new entrance to Bank Station.

The building has full repairing and insuring (FRI)* leases, meaning the tenants are responsible for the maintenance and upkeep of the property. All units are leased on an Open Market Value* basis: a detailed tenancy schedule can be found in the Appendix.

The asset currently generates an annual rental income of £1,492,116, with just over 40% of the office space being vacant. **The plan is to increase rents to £2,868,055 per annum through the term of the investment by letting out vacant office space and refurbishing the common parts and upper floors to a more modern standard, in keeping with the changing culture and tone of the area.**

* See glossary of terms on page 58

Breakdown of projected rental income once fully let



Retail space: 14,389 sq. ft., (25% of the property**)

The three retail tenants have leases of 10 to 25 years, with expiry dates between 2020 and 2030 and rent reviews in 2019 and 2020. The location's evolution to a destination in its own right along with its enhanced connectivity provides considerable scope to increase rents when the current leases expire.

Table two shows a breakdown of current retail tenants, together with forecasts of Open Market Value (OMV)* rents on exit, using current estimates.

Table two: Retail space income potential

Tenant	Floor	Current rent (psf)	Lease expiry	Next rent review	Forecast rent on exit (psf)
Holland & Barrett	Ground & Part Lower Ground	£50.46	10/09/20	11/05/20	£75.00
Fuller Smith & Turner	Ground & Part Lower Ground	£25.33	28/09/30	29/09/20	£35.00
L'Express Coffee	Part Ground	£101.68	05/12/24	04/12/19	£125.00
Total rental income (pa)		**£501,750**			**£699,585**

* See glossary of terms on page 58
** 3% of the property comprises storage space. Please see Appendix 1 on page 60 for full details

Abchurch Yard showing Fuller's The Vinty bar and restaurant

Office space: 41,397 sq. ft., (72% of the property)

The office space consists of seven individual office suites, ranging from 1,871 sq. ft. to 8,525 sq. ft. This space is around 60% let to five tenants in a variety of industries, with leases of between five to 10 years. Expiry dates on current leases range from 2018 to early 2021.

The two floors that are currently vacant have been recently refurbished in a corporate style. The plan is to lease them as soon as possible on competitive market rates. We then plan to refurbish the rest of the office space as it becomes vacant on expiry of the leases to a more modern standard, with tech and media appeal, and more in keeping with the changing culture and tone of the area. The common parts of the building – including the reception area – will also be refurbished, with a similar modern focus. Once refurbishment works are complete, office space will then be let to new tenants at increased rents that remain competitive for the location

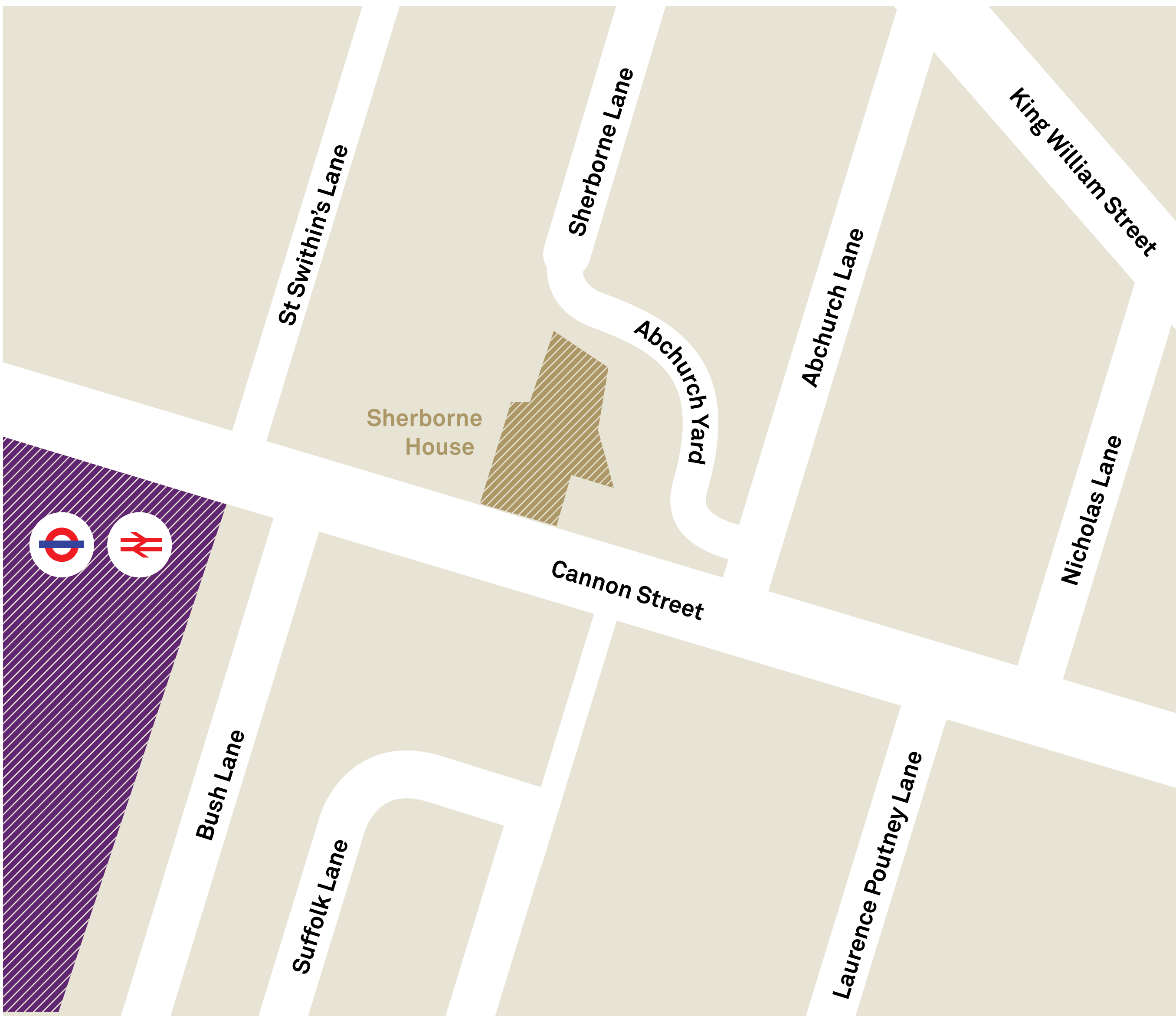
Table three shows a breakdown of the current office space and forecast rents on exit of the investment around December 2021.

Table three: Office space income potential

Tenant	Floor	Area sq. ft.	Current rent (psf)	Lease expiry	Forecast rent on exit (psf)
IT Talent Solutions	6th Floor	1,871	£47.50	29/04/20	£52.50
Eukleia Training	5th Floor	6,182	£29.50	02/09/18	£52.50
Ninth Wave	Part 4th Floor	2,260	£50.00	22/02/21	£57.50
TPP Recruitment	Part 4th Floor	5,704	£43.50	26/01/21	£57.50
Forrester Ketley	3rd Floor	8,467	£42.28	10/01/21	£57.50
Vacant space	2nd Floor	8,525	n/a	n/a	£45.00
Vacant space	1st Floor	8,388	n/a	n/a	£45.00
Total rental income (pa)			**£990,366**		**£2,128,650**

Location analysis Sherborne House, 119–121 Cannon Street, EC4

Sherborne House is a prominent and attractive building situated on the north side of Cannon Street, a key arterial route linking King William Street and London Bridge to the east and St Paul's Cathedral to the west. Located in the heart of the City Core, the building is within a short walk of a number of the City of London's key landmarks, including the Bank of England, London Stock Exchange and St. Paul's Cathedral.



Connections

The property has excellent access to the London Underground, Docklands Light Railway and mainline train, as well as bus, services. This will be further enhanced by the redevelopment of Bank Station. The location also offers easy access to London's airports.

- The new Cannon Street entrance to Bank Station will be located adjacent to the property. Currently under development and due to open in 2022, this will give access to the Central, Northern and Waterloo & City Underground lines, as well as Docklands Light Railway services to Canary Wharf.
- The existing entrance to Bank Station is 150 metres from the property. Even closer, in December 2017 a new entrance to Bank Station opened under Bloomberg Place, providing easy access to the Waterloo & City Underground line.
- Cannon Street Station is 50 metres from the property. This provides access to the District and Circle Underground lines, as well as mainline rail services to Kent.
- Other stations in close proximity include Monument and Mansion House Underground Stations (both around 150 metres), with Liverpool Street and London Bridge mainline stations also within a short walk.
- There are numerous bus routes along Cannon Street as well as other roads in the immediate vicinity of the property. These provide access to the rest of the City, West End and beyond.
- Journey times to Heathrow, Gatwick and Stansted are approximately an hour using public transport, while London City airport is approximately half an hour away via the Docklands Light Railway. Once the Elizabeth Line (Crossrail) opens in late 2018, journey times to Heathrow via Liverpool Street will be cut to nearer half an hour.

Attractions

Steeped in heritage and complimented by both historic and modern architecture, the City Core benefits from world-class brands, blue-chip organisations and dynamic SMEs*, creating one of the most vibrant business locations in the world. It has also become the focus of thriving retail, entertainment and cultural activity.

The area surrounding Sherborne House contains a multitude of coffee shops, restaurants, bars and shopping destinations. Harry's Bar, Brasserie Blanc, One Lombard Street and Gaucho are just a few of the restaurants close by. Cannon Street, along with Cheapside, offer a wide variety of high-street names, while more upmarket boutiques can be found in One New Change, the Royal Exchange and historic Bow Lane.

* See glossary of terms on page 58

Developments

New developments are driving Cannon Street's transformation. These are shifting perceptions of the location, in the same way that The Shard has helped to transform Southwark.

Significant recent developments:

1. Bloomberg Place
2. The Walbrook
3. The Ned
4. Bow Bells House
5. Cannon Place

Other places of interest:

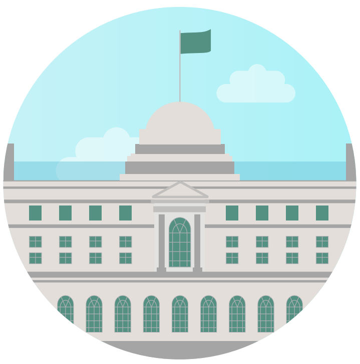
6. Royal Exchange
7. Bank of England
8. One New Change
9. St Paul's Cathedral

Bloomberg Place

Bloomberg's new European headquarters opened in late 2017. Designed by Foster + Partners and costing £1 billion, this stunning development has sustainability at its heart and has created 3.2 acres of office and retail space in two triangular buildings. With public plazas, two of which feature specially-commissioned works of art, a new entrance to Bank Station and the return of archaeological Roman remains to the site of their original discovery, Bloomberg has worked closely with the City of London and conservationists to enhance the wider community benefits.

The Walbrook

Completed in 2010, this iconic office building was designed by Foster + Partners. Comprising 450,650 sq. ft. of Grade A office and retail accommodation, tenants include DNB Bank, Norway's largest financial services firm, and Arthur J. Gallagher, the international insurance brokerage and risk management firm.



The Ned

A 5* hotel and private members club located in the 1924 former Midland Bank building, designed by Sir Edwin "Ned" Lutyens. Close to the Bank of England, this Grade I listed building opened in 2017 and has been transformed into a spectacular hotel containing nine restaurants which provide 24/7 service.

Bow Bells House

160,000 sq. ft. mixed-use office and retail accommodation that was completed in 2007. The building lies in a conservation area and takes its name from the adjacent St. Mary-le-Bow church. Occupiers include Aberdeen Asset Management.

Cannon Place

An award winning property located above Cannon Street Station. Completed in 2011, the 389,000 sq. ft. building contains office space on the upper floors and 10,000 sq. ft. of retail space. Tenants include CMS Cameron McKenna and Bank of London & The Middle East.

In addition, the area is benefitting from upgrades to Bank Station. As one of the busiest Underground stations in London, with around 450,000 commuters a day, Transport for London is investing £600 million in upgrading Bank Station. The overhaul, which is expected to be completed by 2022, includes a new entrance under Bloomberg Place as well as a further entrance on Cannon Street, extending step-free access to the London Underground. As part of the upgrade, the polluted and congested Bank junction will be closed to all motorised vehicles, except buses, making it more hospitable to both cyclists and pedestrians.

The market

Supply & Demand

Occupational demand remains strong, with City office take-up for 2017 at 6.2 million sq. ft., 15% above the 10-year average. Tech and media companies were the drivers behind this demand, taking around 20% of space, followed by Serviced Office Providers at 18%[11]. In the final three months of 2017, supply of new and refurbished City office space fell to its lowest level since the first quarter of 2016. Looking at the future pipeline, 42% of the 8.5 million sq. ft. which is currently under construction has already been pre-let[6].

Opportunity

The plan is to let the vacant office units at competitive rates and to refurbish the property's common areas and office space to a more modern standard once leases expire. This should provide the potential to increase rents on new leases, raising the property's current rental income from around £1.5 million to just under £2.9 million on exit.

Tenants

Sherborne House is let to a range of tenants in different industries. The property currently has three retail tenants located on the ground and lower ground floors, and five tenants located in the office space on the upper floors. There is also ancillary storage accommodation in the basement.

This mixed-use and multi-let investment reduces risk and eases cash flows by providing diversification.

Current retail tenants include:

Fuller Smith & Turner Plc

D&B Rating: 5A 1 representing a minimum risk of failure

Fuller Smith & Turner, known as Fuller's, is one of London's last remaining independent family brewers. The company's brands include the world-famous ESB and London Pride. Fuller's has an estate of over 390 pubs and hotels, split between managed and tenanted houses, located primarily in London and the South of England.

Holland & Barrett

D&B Rating: 5A1 representing a minimum risk of failure

Holland & Barrett is Europe's largest retailer of vitamins, minerals and herbal supplements. It operates over 620 stores across the UK and Ireland.

L'Express Coffee Company Ltd

D&B Rating: D2 representing a lower than average risk of failure

L'Express Coffee is an independent coffee chain that provides freshly prepared food and office catering. It has five branches across central London.

Current office tenants include:

IT Talent Solutions Ltd

D&B Rating: D2 representing a lower than average risk of failure

Established in 2004, IT Talent Solutions is a specialist IT recruitment company. The company has extensive UK-wide experience in supplying all sectors, from SMEs to major international corporations.

Eukleia Training Ltd

D&B Rating: 1A representing a minimum risk of failure

Established in 2005, Eukleia Training provides e-learning services and learning technologies to corporate and government clients. It offers online and instructor-led training programs in the areas of governance, risk management, and compliance (GRC).

Ninth Wave Ltd

D&B Rating: 2A1 representing a minimum risk of failure

Established in 1995, Ninth Wave is a software solutions and consulting company that specialises in providing programme, project and IT management software and services.

TPP Recruitment Ltd

D&B Rating: A1 representing a minimum risk of failure

TPP Recruitment is a specialist, well-established UK-wide consultancy that provides dedicated support to non-profit and public sector organisations, including charitable, educational, health & social care, professional membership, awarding bodies, cultural and housing.

Forrester Ketley Ltd

D&B Rating: H2 representing a low to moderate risk of failure

Forrester Ketley, known as Forresters, is a firm of solicitors with in excess of 30 practitioners that specialise in patents, trademarks, registered designs, searches and licensing. As well as several offices in the UK, the company has a European presence in Munich.

05.
Financials

The purchase price of the property is £47.15 million. Once structure set-up costs, fees and working capital are included, the total cost rises to £53.43 million (see below).

The property will be funded through a combination of equity and debt. Riverside Capital will raise equity funding of £27.5 million, while Lloyds Bank Plc will provide the debt element amounting to £25.93 million.

Costs

Purchase price (£m)	£47.15
Transaction costs (£m)	£2.90
Working capital (£m)	£3.83
Total (£m)	**£53.43**

Debt / Equity

Bank debt (£m)	£25.93
Equity (£m)	£27.50
Total (£m)	**£53.43**

Equity investment

Riverside Capital is seeking to raise £27.5 million in equity investment.

Equity investment is available from £25,000, with a closing date of 18 May 2018.

Bank loan

Credit approved senior debt terms have been agreed with Lloyds Bank Plc at 55% Loan to Value*.

The margin has been agreed at 2.75% above three-month LIBOR* for the first 18 months of the loan, and 2.4% above three-month LIBOR* thereafter.

The loan will be hedged by way of a four-year swap* to protect the property from potential variations in interest rates.

Loan overview

Bank	Lloyds Bank Plc
Loan term	4 years
Loan amount	£25.93 million
Loan to Value*	55%
Amortisation*	1% of the asset valuation (£471,500 per annum)
Bank arrangement fee	1.0% (£259,300)
Margin on loan	2.75% above three-month LIBOR* for the first 18 months of the loan. 2.4% above three-month LIBOR* thereafter.
Interest rate	It is intended that the investment loan will be fixed for the duration of the term at completion.
Loan pre-payment fees	Year 1 – 2.0% Year 2 – 1.5% Thereafter – 0%

* See glossary of terms on page 58

Exit strategy

The overall business plan is to increase rental income from £1,492,116 at the time of purchase to £2,868,055 by the end of the business plan in December 2021. This will be achieved by letting out vacant office space and refurbishing all common spaces and existing office units when they become vacant, as leases expire. Post refurbishment, vacant units will be let and at this point, the building will be sold. We have assumed a sales price of £1,100 psf at exit, compared to a purchase price of £816 psf.

There is significant potential for upside beyond this, which could be generated by any of the following:

- A larger-than-projected increase in retail rents
- Higher-than-forecast rents on new office lettings
- Lower-than-expected refurbishment and void costs in respect of the offices
- A higher sales price

In terms of downside risks, our base case assumptions have incorporated some conservative assumptions for rental uplift. For example, vacant office space will be let slightly below current market rents to ensure void periods are minimised so that the units are let as quickly as possible.

Expected returns

The base case projected return over the term of the investment is 10.08% IRR*, net of all fees and costs, with an upper case return of 14.60% and a lower case return of 5.22%.

	£ psf on exit	Return on equity	IRR*
Base case	£1,100	41.15%	10.08%
Upper case	£1,200	63.07%	14.60%
Lower case	£1,000	20.07%	5.23%

* See glossary of terms on page 58

06. Structure and financial considerations

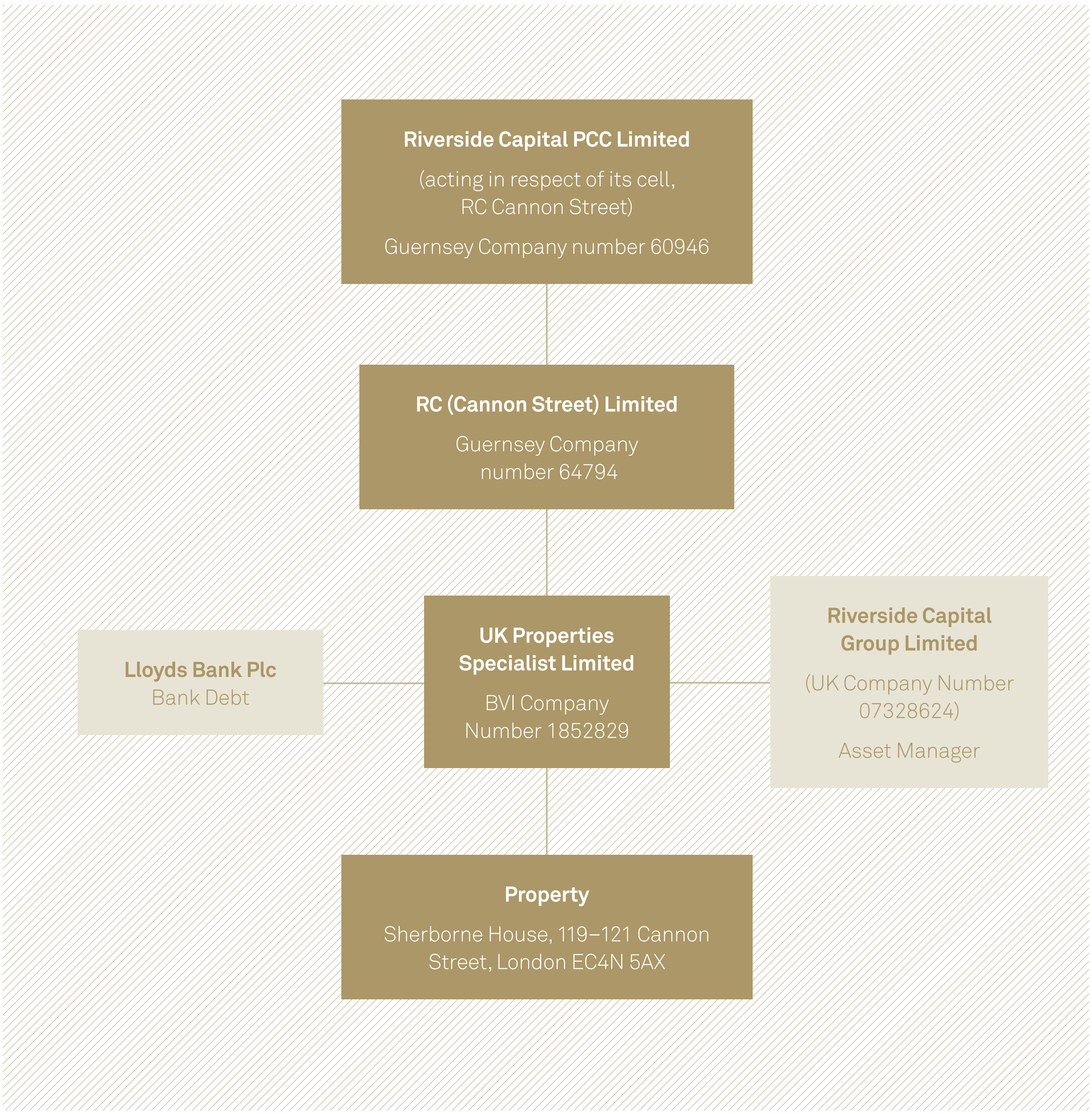
Structure

Investment in the opportunity will be via a Guernsey authorised and regulated cell of Riverside Capital PCC Limited, RC Cannon Street ("the Fund"). The Fund is regulated as an Authorised Closed-Ended Collective Investment Scheme by the Guernsey Financial Services Commission (GFSC), with registration number 60946.

The Fund will own 100% of the share capital in a Guernsey company, RC (Cannon Street) Limited (the "GuernseyCo").

The vendor currently owns the freehold property via a limited company, incorporated and registered in the British Virgin Islands (BVI) called UK Properties Specialist Limited ("PropCo").

The GuernseyCo will acquire 100% of the share capital of PropCo. The bank facility with Lloyds Banking Group will be taken out at the PropCo level.


Riverside Capital PCC Limited
(acting in respect of its cell, RC Cannon Street)
Guernsey Company number 60946
RC (Cannon Street) Limited
Guernsey Company number 64794
Lloyds Bank Plc
Bank Debt
UK Properties Specialist Limited
BVI Company Number 1852829
Riverside Capital Group Limited
(UK Company Number 07328624)
Asset Manager
Property
Sherborne House, 119–121 Cannon Street, London EC4N 5AX

The board

The Protected Cell Company (PCC) is controlled by a single Board. The Board is comprised of individuals who have been carefully selected to meet statutory, regulatory and fiduciary requirements. The Board has appointed Riverside Capital Group Limited as investment and asset advisor. The role of the investment advisor is to put investment propositions to the Board which, if accepted, will be promoted to professional investors and intermediaries in various jurisdictions.

Board members

Dominic Wright
Representative from Riverside Capital Group Limited

Dominic is co-founder and Group Chief Executive of Riverside Capital, with overall responsibility for the running of Riverside Capital Group. With 19 years of market experience, Dominic has spent the majority of his career providing commercial property investment opportunities to the private equity arena. He has a strong track record in identifying and transacting on commercial property deals with a particular emphasis in London.

Dominic has vast experience in asset management and works to ensure that business plans are met and that exits are achieved on time. With his substantial network of industry contacts, his experience extends to arranging debt finance for investments and asset-backed corporate restructuring.

Shelagh Mason
Guernsey-domiciled Director

Shelagh is an English property solicitor with over 30 years' experience in commercial property. She is a consultant to Collas Crill, one of the major Channel Islands legal practices, having previously been a senior partner at both Spicer & Partners Guernsey LLP and Edge & Ellison. She currently holds several non-executive Director and Director positions in commercial property related companies.

Shelagh is a past Chairman of the Guernsey Branch of the Institute of Directors, a member of the Chamber of Commerce and the Guernsey International Legal Association, and holds the IOD certificate and Diploma in Company Direction. She has also been on the Board of Directors of Standard Life Investment Property Income Trust.

John Whittle
Guernsey-domiciled Director

John is a highly experienced Non-Executive Director with a background in third-party fund administration. His business skills were honed in high-tech service industries and he has in-depth experience of strategic development and mergers/acquisitions.

As the CFO of Close Fund Services Ltd, John was responsible for internal finance and client financial reporting. In this role, he established a new Client Accounting team in Cape Town and transformed the company's client financial reporting service from a very low standard to an acknowledged leader in the field. Prior to this, John was Managing Director of Hugh Symons Group Plc, a £100 million service group, which he led through a record year and a return to profit. Similarly, John turned an annual loss of £51 million into a profit of £10 million at Talkland International Ltd (now Vodafone Retail) in his role as Finance Director. John is qualified by the FCA and holds the IOD certificate and Diploma in Company Direction.

Taxation

The comments below are intended to provide a high-level understanding of the UK tax aspects of the proposed investment based on UK tax legislation at the date of this document. However, the comments below should not be taken as advice and should not be relied upon. Each investor should seek their own personal tax advice in relation to the investment based on their specific circumstances.

Further information is also available in the latest version of the Scheme Particulars for the PCC.

Structure

- The investors will make their investment via a non-UK company incorporated and tax resident in Guernsey called Riverside Capital PCC Limited (the “PCC”). The PCC is a protected cell company, registered and authorised with the Guernsey Financial Services Commission (“GFSC”).
- The PCC will establish a new cell, RC Cannon Street (“the Fund”), which, in turn, will incorporate a wholly owned special purpose Guernsey company, RC (Cannon Street) Limited (“GuernseyCo”).
- The freehold property is owned by a limited company, incorporated and registered in the British Virgin Islands called UK Properties Specialist Limited (“PropCo”).
- GuernseyCo will acquire the entire issued share capital of PropCo.

Taxation of PropCo

PropCo is registered for gross payment status under HMRC’s non-resident landlord scheme (“NRLS”) in order to receive rental payments gross (rather than net of UK tax).

- PropCo is currently subject to UK income tax at the basic rate (currently 20%) on its tax adjusted property business profits.
- From April 2020, it is expected that PropCo will cease being subject to UK income tax (under HM Revenue and Custom's Non-Resident Landlord Scheme) and will become subject to UK corporation tax on its property rental business profits. At this time, the UK corporation tax rate is expected to be 17%.

- From this date, non-UK companies holding UK property are expected to be within the scope of new corporate interest restriction ("CIR") rules which were introduced for UK companies with effect from 1 April 2017. These CIR rules may restrict future tax deductions for interest expenses incurred by PropCo. If the rules apply, then the interest expense which can be treated as tax deductible is restricted to 30% of tax adjusted EBITDA. However, the details behind the proposals for bringing non-resident landlord companies within the scope of UK corporation tax have not been finalised and are therefore subject to change. These provisions are complex and the tax profile for PropCo will be reviewed as more details on the legislation become known.
- Following recent announcements at the Autumn Budget 2017, from April 2019, non-UK persons will be subject to UK tax on disposals of UK commercial property (or on disposals of interests in "property-rich" entities). Therefore, it is expected that UK tax will be payable in future in respect of any increase in value arising after 1 April 2019 in the event of either (i) a direct sale of the property by PropCo or (ii) a sale of shares in PropCo by GuernseyCo or (iii) a sale of shares in GuernseyCo by the Fund.
- PropCo would be subject to UK tax in the event of a sale of the property. GuernseyCo would be subject to UK tax in the event of a sale of shares in PropCo (see "Taxation of GuernseyCo" below) and the Fund would be subject to UK tax in the event of a sale of shares in GuernseyCo (see "Taxation of the Fund" below). The details behind these proposals are still being consulted and are therefore subject to change. The tax impact for PropCo on any gain expected on a future sale will be reviewed as more details on the legislation become known.

Taxation of GuernseyCo

- GuernseyCo should not be subject to either UK or Guernsey taxation on distributions received from Propco.
- As noted above, non-UK persons (which includes body corporates) are expected to be subject to UK tax on disposals of interests in “property-rich” entities from 1 April 2019. Therefore, if there is a sale of shares in PropCo after 1 April 2019, it is expected that GuernseyCo would be subject to UK tax on the future gain realised. Only increases in value arising after 1 April 2019 should be subject to UK tax. The impact for GuernseyCo on any capital gain expected on a future sale of the shares will be reviewed as more details on the legislation become known.

Taxation of the Fund

- The relevant cell of the Fund should not be subject to either UK or Guernsey taxation on dividends received from the GuernseyCo.
- On a sale of the shares in GuernseyCo, it is expected that the Fund would be subject to UK tax on the future gain realised, as GuernseyCo would be a "property-rich" entity by virtue of its holding in PropCo. Only increases in value arising after 1 April 2019 should be subject to UK tax. The impact for the Fund on any capital gain expected on a future sale of the shares will be reviewed as more details on the legislation become known.
- The Fund is proposing to elect as a Reporting Fund under the Offshore Funds (Tax) Regulations 2009 (see comments in respect of UK individual investors, below). The rules in relation to these regulations are hereafter referred to as the “Reporting Fund Rules”.

UK investors

- On the basis that the Fund elects as a reporting fund under the Offshore Funds (Tax) Regulations 2009, the UK investors should be subject to UK income tax on income distributed from the Fund plus any “excess reportable income” over the amounts distributed. Broadly speaking, the excess of the reportable income will be an investor’s share of the underlying profit of the Fund (adjusted for certain capital items) reduced by the amounts actually distributed by the Fund. It is anticipated that the Fund will not be making income distributions. As a result, the UK investors may be subject to UK tax on their share of the underlying profit without receiving a cash distribution from the Fund (although this is not anticipated to be significant).

UK individuals

- Under the Reporting Fund Rules, individuals will be subject to UK income tax on distributions received from the Fund plus any excess of the reportable income. These amounts will be taxed as dividend income for individuals. For the 18/19 tax year, the first £2,000 of dividends received by UK individuals will be free of UK income tax and the excess will be taxed at rates of 7.5%, 32.5% and 38.1% depending the investor's marginal rate.
- UK individual investors should be subject to UK capital gains tax at a rate of 20% on a realisation of their investment in the Fund. Any "excess reportable income" taxed over the life of the investment can be treated as additional base cost when calculating the taxable capital gain on exit. Individuals investors may be entitled to utilise any brought forward capital losses (if any) and an annual exempt amount (currently £11,700 per annum) which may be available to offset against their capital gain.

UK companies

- Under the Reporting Fund Rules, UK companies will be subject to UK corporation tax on distributions received from the Fund plus any excess of the reportable income. These amounts will be treated as dividends for UK tax purposes. For many companies, these distributions and deemed distributions may be treated as exempt from UK corporation tax provided certain conditions are met. If distributions and deemed distributions are not exempt, then a UK corporate investor would be subject to UK corporation tax at a rate of 19%, falling to 17% post 1 April 2020.
- UK companies should be subject to UK corporation tax at rate of 19% (reducing to 17% from 1 April 2020) on a realisation of their investment in the Fund. Any "excess reportable income" taxed over the life of the investment can be treated as additional base cost when calculating the taxable capital gain on exit. UK corporate investors may be entitled to utilise any brought forward capital losses (if any) to offset against their capital gain.

Non-UK investors

- Non-UK tax resident investors should be subject to taxation on their investment in the Fund in accordance with the laws of the jurisdiction in which they are tax resident. There is no concept of reportable income subject to UK tax for non-UK investors because the UK Offshore Fund (Tax) Regulations do not apply to non-UK tax resident investors.

Note: Riverside Capital Group Limited is not qualified to give tax advice. You should note that the tax implications of using the above structure will differ depending on the investor's individual circumstances. All investors are strongly recommended to seek their own independent advice on their tax position in the proposed investment vehicle.

Riverside Capital fees

Fees relating to the opportunity are automatically deducted from the investment vehicles. These include Riverside Capital's transaction and ongoing asset management fees, as well as charges relating to the equity investment and annual running fees.

Transaction, debt arrangement and structuring fee	1.5% of the purchase price of the property Riverside Capital fee estimated at £707,250
Annual asset management fee	0.5% of the purchase price of the property Riverside Capital fee estimated at £235,750
Performance fee	An exit fee of 20% of returns to investors above a minimum IRR* hurdle of 8% per annum

In respect of the equity investment, issue costs together with an annual fee will be charged, and may be paid to third party intermediaries.

Issue costs	3% of the initial equity commitments
Annual fee	0.5% of the initial equity commitments

07. Risk factors

Economic downturn

A downturn in the UK economy or the property market might have an adverse impact on values, leading to a reduction in demand for commercial property and low rental growth. However, this risk is partly mitigated, with market evidence suggesting that the property is likely to continue to have competitive rents at exit.

Debt market

A return to illiquidity in the lending market could make the sale of the property more difficult due to a lack of debt finance. However, prudent loan to value (LTV)* financing – plus amortisation* of 1% per annum over the hold period taking the gearing down to approximately 52% at the end of the business plan (2021) – should enhance the opportunity to refinance if necessary at this time.

Reduced demand

The target occupier base for the property is technology and media companies. Any downturn in these business sectors is deemed unlikely as they have proved resilient through the EU referendum vote and continue to outperform the finance industry in terms of London headcount. Should external factors have a negative influence on the sectors however, both the retail and office space at Sherborne House is well-suited to a range of tenants in various industries.

Reduced values

While rental values have been seen to plateau in recent months across London, the assumptions made in the forecasts for predicted rents at exit have been deliberately set at conservative levels. The combination of rents, rates and service charges in Sherborne House represents exceptional value for its location and will continue to at exit, providing further value.

Tenant strength

Should any tenant default, the mixed-use nature of the property and varied tenant mix provides diversification and eases cash flows.

Refurbishment costs

The cost of refurbishing the property's common space, as well as the office units as they become vacant, may increase. However, we have overcompensated for these costs in our initial analysis which should help to mitigate this risk.

* See glossary of terms on page 58

Glossary of terms

All-in borrowing rate

The total fixed borrowing rate on the loan, including all applicable elements, such as fees.

Amortisation

The practice of reducing the value of an asset or a loan in incremental steps.

FRI lease

Full Repairing and Insuring lease (FRI). This is a lease which relieves the landlord from all liability for the cost of insurance and repairs. Instead, the tenant is legally responsible for all these costs.

HS2 (High Speed 2)

High Speed 2 is a planned high-speed railway in the UK which is aimed to be the new backbone of the national rail network, linking London, Birmingham, the East Midlands, Leeds and Manchester. Its London terminal will be Euston station.

Internal Rate of Return (IRR)

A measure of the annualised rate of return on a compound basis.

Loan To Value (LTV)

A financial term used by lenders to express the ratio of a loan to the value of an asset.

LIBOR

London Interbank Offered Rate. An average of the interest rate that banks estimate they would charge to lend to each other. LIBOR is commonly used as a reference point for loans and other financial instruments.

Net Initial Yield (NIY)

The current annualised rent, net of costs, expressed as a percentage of capital value, after allowing for purchase costs.

Open Market Value (OMV)

The best price that might reasonably be expected to be achieved from an unconnected third party on a certain date.

SME

Small and Medium sized Enterprises. The European definition of SME dictate these to be enterprises which employ fewer than 250 persons and which have an annual turnover of no more than €50 million and/or and annual balance sheet total not exceeding €43 million.

Swap

A financial transaction where two counterparties agree to exchange cash flows for their mutual benefit. The most common kind of swap is an interest rate swap. One counterparty will pay away a floating rate of interest (one that varies according to the level of interest rates) and receive a fixed rate of interest; the other counterparty will pay away a fixed rate of interest and receive a floating rate of interest in return.

Appendix 1 – Tenancy schedule

Location	Use	Tenant	Area sq. ft. NIA	Annual Rent	Annual Rent £psf
Basement Part	Sub-station	London Power Networks Unlimited	1	£0.05	£0.05
Lower Ground Floor Part	Storage	Vacant	70	£0	£0
Basement Storage	Storage	Vacant	1,921	£0	£0
Ground & Lower Ground Floor (Part)	Retail	Holland & Barrett	3,295	£166,250	£50.46
Ground & Lower Ground Floor (Part)	Public House	Fuller Smith & Turner Plc	10,381	£263,000	£25.33
Ground Floor (Part)	Retail	L'Express Coffee Company Limited	713	£72,500	£101.68
First Floor	Office	Vacant	8,388	£0	£0.00
Second Floor	Office	Vacant	8,525	£0	£0.00
Third Floor	Office	Forrester Ketley Ltd	8,467	£358,000	£42.28
Fourth Floor (Part)	Office	TPP Recruitment Ltd	5,704	£248,124	£43.50
Fourth Floor (Part)	Office	Ninth Wave Ltd	2,260	£113,000	£50.00
Fifth Floor	Office	Eukleia Training Ltd	6,128	£182,369	£29.50
Sixth Floor	Office	IT Talent Solutions Ltd	1,871	£88,873	£47.50
			57,777	**£1,492,166**	**£25.72**

Lease Start	Lease End	Rent Review	Break Dates	ERV £psf	ERV £pa
02 March 84	01 Mar 44	n/a	n/a	£0.00	£0.00
n/a	n/a	n/a	n/a	£20.00	£1,400.00
n/a	n/a	n/a	n/a	£20.00	£38,420.00
11 May 10	10 Sep 20	11 May 20	n/a	£75.00	£247,125.00
29 Sep 05	28 Sep 30	29 Sep 20	n/a	£35.00	£363,335.00
14 Dec 14	05 Dec 24	04 Dec 19	n/a	£125.00	£89,125.00
n/a	n/a	n/a	n/a	£45.00	£377,460.00
n/a	n/a	n/a	n/a	£45.00	£383,625.00
11 Jan 11	10 Jan 21	n/a	n/a	£57.50	£486,852.50
27 Jan 11	26 Jan 21	n/a	n/a	£57.50	£327,980.00
23 Feb 16	22 Feb 21	n/a	n/a	£57.50	£129,950.00
03 Sep 13	02 Sep 18	n/a	n/a	£52.50	£324,555.00
03 Apr 15	29 Apr 20	n/a	30 Apr 18	£52.50	£98,277.50
				£49.64	**£2,868,055**

Sources

[1] Office for National Statistics

[2] Evening Standard – October 2017
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