

We stress, however, that we are not qualified to give assurances on environmental issues. Our valuation has been undertaken on the basis that the property is not contaminated.

12. TENURE

It is understood that the property is held Freehold.

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

13. TENANCIES

We understand the property is currently held on an Assured Shorthold Tenancy for two years which commenced in May 2005. We understand this agreement is at a rent of £2,200 per week. This information was obtained from the vendor and should be confirmed.

There are limited numbers of similar detached houses to let in the Hampstead area however we are aware of the following:-

A seven-bedroom, six reception room ambassadors residence on Grove End upper terrace in central Hampstead is currently on the market to let for £5,000 per week. This is substantially bigger than the subject property.

A seven-bedroom house detached period property on Chesterford Gardens is on the market for £3,500 per week again being substantially larger than the subject unit.

A seven-bedroom house in West Heath Road a modern detached house in a less popular location has recently let for £2,200 per week.

A four-bedroom newly refurbished cottage on The Mount in Hampstead is on the market for £1,300 per week. A similar five-bedroom house on The Mount is on the market for £1,500 per week.

As can be seen there is a variation of rental incomes that can be achieved for such high quality property in this central Hampstead location. The current rent is set until May 2007.

14. MARKET CONDITIONS

Latest figures from RICS indicate that the residential property market has felt the impact of the August interest rate cut by the Bank of England. Rates have remained at 4.5% since that rate cut. While house prices continued to fall in August, declines were the smallest for a year and support an overall picture of

a stabilising market. The market has continued to strengthen and, the autumn market has seen some rises in value in the London area. In addition, enquiries from would-be buyers rose for a third consecutive month, up at the fastest pace since January 2004, as the August interest rate cut provided a lift to confidence

Some of the more gloomy housing commentators view the market upturn as at best a temporary event in a downward trend. The reason these commentators have been consistently wrong on the housing market is their under-estimation of the impact of changes in interest rates on the housing market. The monetary policy cycle since the housing market slowdown began has been very different from previous housing market downturns. While interest rates have risen by more than a third from their lows in the autumn of 2003, the rise is still significantly less than the doubling of interest rates in the late 1980s. Moreover, interest rates have been cut less than two years after the housing market activity peaked, whereas in the early 1990s, policy was eased almost a year later in the cycle.

As a result, the economy has maintained a comfortable pace of growth in 2005 despite the slowdown of the past year, and is still generating a high number of new jobs (more than 250,000 in the last 12 months). The most interesting statistic is that households are more confident over prospects for incomes than when the housing market peaked, and contrasts starkly with a collapse in confidence in the early 1990s. As such, surveyors are expecting a further pick-up in sales activity in the months ahead. The conclusion we would draw is that the housing market is experiencing a 'soft landing', with only a severe shock, such as ongoing sharp rises in the price of oil, likely to derail the market.

The terrorist bombing of 7 July was expected to have an impact on the London economy with a reduction in tourism being anticipated. This does not seem to have had the predicted effect, tourist numbers have been down but not to an alarming level. There does not appear to have been a long-term impact on the housing market after an initial shock. Concerns over the safety of public transport could in the long term lead to shifting property values.

The allocation to London of the 2012 Olympics will have a beneficial effect on property values in London particularly the East of London around Stratford. Whilst this will have a long "lead" time it is anticipated that there will be a strengthening of demand leading up to this premier world event. Developers are entering this area searching for opportunities. Rises in values in the Stratford and Thames Gateway area were already occurring due the investment in the Euro-tunnel station and associated infrastructure improvements.

Demand for rented property continues to rise. This has been noted in a number of locations across London from prime central areas to more peripheral outskirts.

RICS spokesperson Jeremy Leaf says of the rental market: -

"It looks like any signs of panic in the housing market are largely over, bringing stability to the lettings market. However, many people may still be wary of buying in the current climate: which bodes well for tenant renting.

RICS figures suggest the reduced capital values have not caused impulse selling from "Buy to let" landlords. These have perhaps becoming more sophisticated as they place more value on the long term benefits." Property that is over priced will remain difficult to sell in the current market.

At Lamberts Chartered Surveyors we believe there are no indications of a significant deterioration in the economy that may have an adverse impact upon values.

15. VALUATION COMMENTARY

The property has been valued by comparison with recent property transactions within the locality and our knowledge of the market.

11 Gayton Crescent a freehold semi detached property adjoining the subject unit sold in March 2005 for £1,785,000.

2A Gayton Road being a freehold detached property just off Hampstead High Street sold in June 2005 for £1,800,000.

50 Gayton Road a mid terraced house on 3 floors sold in Summer 2004 for £1,650,000.

25 Willoughby Road a freehold terraced newly built property sold in March 2005 for £1,250,000.

A 3 storey mid terraced house in Willow approximately (2,000 sq ft) in need of refurbishment recently sold for £1,350,000.

A five-bedroom modern detached house of approximately 3729 sq ft on Telegraph Hill is on the market for £2,500,000.

A four-bedroom modern detached house on Kidderpore Avenue is on the market for £2,300,000.

An eight-bedroom detached house on Fellows Road being approximately 4200 sq ft on a four-storey double fronted detached house is currently on the market for £2,300,000.

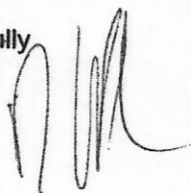
Whilst this is a well presented house in a prime area of Central Hampstead we consider that there is an upper limit to the price that could be achieved. The high quality location is slightly diminished due to the limited external space. There is a suggestion that the upper limit of values lies under £1,000 per sq ft. Our valuation reflects all of the above points. This is the type of area however where a premium price may be paid for entry to the market. This type of "special purchaser" has not been included in our assessment of the value of this property.

16. CONFIDENTIALITY AND PUBLICATION

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

Neither the whole nor any part of our reports, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way or disclosed orally to a third party without our written approval of the form and context of such publication or disclosure. Such approval is required whether or not Lamberts Surveyors are referred to by name and whether or not the reports are combined with others.

Yours faithfully,

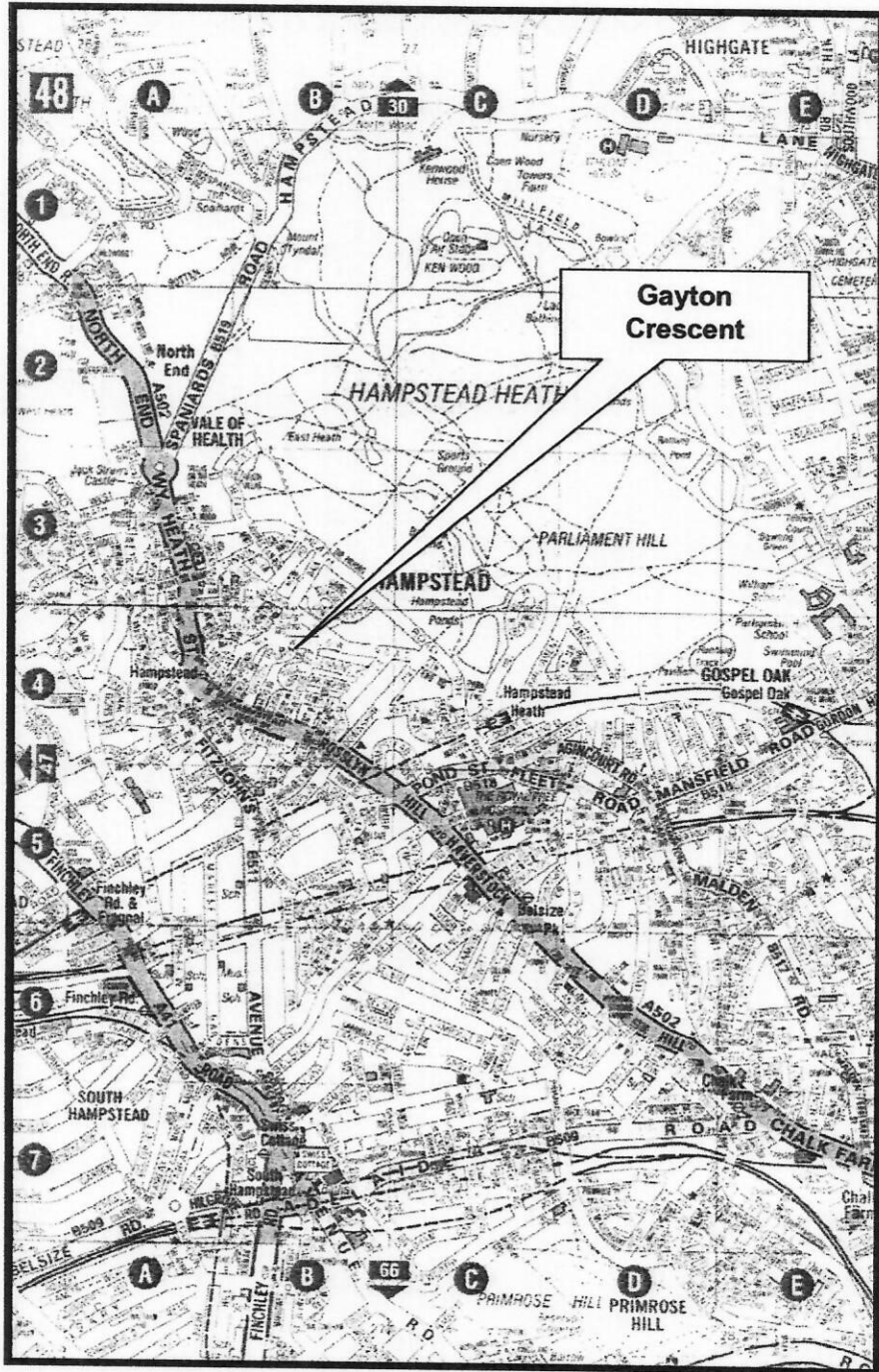


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APPENDICES

Appendix 1	Location Plan
Appendix 2	Definitions
Appendix 3	Photographs

APPENDIX 1
LOCATION PLAN



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