

Strictly Confidential

Aqua Meeson LLP



The Property

13-23 Southampton Road, Ringwood

- The partnership is purchasing the freehold of two shops in Ringwood town centre for a figure of £965,000.
- The larger shop let to Lewis Meeson Ltd is trading as Martin's newsagents and includes the **Ringwood Main Post Office**.
- Additionally on the second floor are two independently accessed newly refurbished 3 bed roomed flats.
- The lease has a further 5.25 years remaining and the annual rent is £59,300, subject to an upward only review in August. Importantly Martin's did not exercise their break option in February this year.
- The smaller shop let to Co-Operative Group Limited is trading as Co-Operative Travel and has 6.25 years remaining, but with a tenant break option in August 2011. The annual rent is £16,500 and is subject to a review in August next year.
- The whole building is over 10,000 sq ft.

The Investment

The large freehold property in a prime retailing position in the market town of Ringwood, can be considered as an excellent long term investment.

This is suitable for people looking to achieve:-

- Income now
- **OR**
- Capital growth now, with a future income

After costs, the income class of holding will pay a monthly in advance rate of 6.51% per annum, before tax.

After costs, the growth class of holding will pay a monthly income of 14.55% per annum from 9 years time.

The Tenant

Lewis Meeson Limited is a dormant company, the holding company martin Retail Group Limited have a turnover of £326 million and a profit of £15.8 million for the November year end. The company reported net worth was £20 million.

Co-Operative Group Limited have a turnover of £9 billion and a profit of £112 million after payments to members.

CAPITAL GROWTH OPTION

£246,644 of partnership investment with a mortgage of £300,000.

The capital growth option works on the basis of our existing syndicates. The rent paid by the tenant is used to repay the mortgage on a quarterly basis.

This is sensible investing, although this partnership carries a little more risk than the majority of our partnership investments, due to the length of the leases remaining.

Assuming continued occupation by both tenants, the mortgage will be repaid within 9 years (assuming continued low interest rates).

Thus an investment of £50,000 in the capital growth share of the partnership (with an attaching allocated mortgage of £60,000) will own an estimated 10% share of the whole building and therefore the partnership. This creates an estimated deferred income of £7,125 per annum, after charges and after repayment of the mortgage.

Potential Return

Assuming an investment of £50,000.

Upon mortgage repayment in an estimated 9 years and assuming a property valuation rise to £1,100,000 then the investment value would be £110,000.

INCOME OPTION - 6.51% per annum (6.67% AER)

£546,644 of partnership investment. The income option is new and innovative and works on the basis that income is paid to the partner, monthly in advance.

Income option partnership shares are available to the value of £546,644 and will represent an ownership share of 50% of the building.

An investment of £50,000 will represent a share of 4.57% of the whole building. Income will be £3,566 per annum before charges, or £3,255 per annum after charges. This represents an annual income return of 6.51% per annum, paid monthly in advance, with possible increases at review.

Potential Return

The income return for a £50,000 investment is £3,255 per annum. However, please note that this income will increase or reduce depending on the following:-

- Any increase at the rent review on the Martin's unit in August this year.
- Whether the Co-Operative exercise their break option in August 2011.
- Whether Lewis Meeson Limited agree on a new lease in August 2015 or vacate the property.

That said the property is in a prime location within Ringwood and there are many attractive features to this investment.

The Commercial Property Market

1. 2008 and 2009 were difficult years for the commercial property market due to the credit crunch. 2010 may see a return to growth in the economy due to very low interest rates and increasing demand. However there are good opportunities to be taken and we believe that properties like this will hold their true value well over the longer term.
2. The income yields are still attractive, although there has been upward movement in prices recently driven by a shortage of good quality investment property.
3. Many people still believe that now is not the right time to invest in the commercial property market - however, we believe that carefully selected property investments are now great value.
4. We believe that buying quality property, in a good location, with strong tenants will always prove to be a sound long term investment and act as a good hedge against inflation.

Early Encashment

Property investments are designed as long-term investments and therefore this should not be considered if investment monies will be required within the next 5 years. The main reason for this is the costs of purchase, such as stamp duty at 4%.

For example, an investment of £50,000 under the income option, would only see an estimated encashment value of £ 44,148 after one year (plus £3,352 income received in the first year), or £50,129 after 5 years (plus £16,760 income received over the 5 years).

An investment of £50,000 under the capital growth option, would see an estimated encashment value of £44,986 after one year, or £65,119 after 5 years. Early encashment returns shown above would be increased with any improvement in the commercial property market.

Funding Requirements

	Cost		VAT	Total	To be Received
Purchase Price	965,000			965,000	
Stamp Duty	38,600			38,600	
Land Registry	800			800	
Disbursements	900		158	1,058	
Purchasers Legal Cost	9,650		1,689	11,339	
Mortgage Arrangement Fee	3,750			3,750	
Agents fees	14,475		2,533	17,008	
Deposit Float Account	22,000			22,000	
Lewis Purchase Fee	19,300		3,377	22,677	
CAP circa	9,000			9,000	
Valuation circa	1,750		306	2,056	
Mortgage					300,000
Members Funds Required					793,288
Total					1,093,288

Lewis annual fees

Annual Fees - Capital Growth - 0.50% of the property value.
 - Income Option—0.50% of the property value.

Please note that Lewis fees include the underwriting of the purchase. Should completion not occur your investment will be returned in full.

Summary

This is our thirteenth investment in the Aqua range and we firmly believe that these will be superb long term **non-pension investments**. We are offering two investment options. Under the Capital Growth Option, after repayment of the mortgage the scheme is designed to provide excellent long term and growing income. Alternatively under the income option, your income starts immediately and is paid to you in advance each month. We favour the property for the following reasons.

- An excellent New Forest market town, with a greatly enhanced retail offering over recent years.
- The tenants are strong and financially secure, however due to the lease terms the income streams are less secure than our normal Aqua investments.
- It is a substantial building incorporating two flats independently accessed.
- Currently conservative passing rents. The post office attracts numerous individuals to the unit.
- So although this Aqua has less term certain on the leases, there are a number of really positive attractions.

We are pleased to strongly recommend Aqua Meeson LLP, the latest in our Aqua range of innovative Investments, designed to suit you.

Tim Lewis
 Managing Director

These figures are subject to change due to the volatile economic market conditions.

Aqua Meeson LLP

Taxation

The following information is based on existing law and practice and may be subject to changes from time to time.

Income Tax

Members will be subject to UK income tax on their annual share of the partnership profit, after allowable deductions. Repayment of mortgage capital is not an allowable expense, under the Capital Growth Option.

Partners will be provided with an annual statement of their share of income and expenses. Partners will be responsible for declaring their income on their Self-Assessment Income Tax Returns and for the payment of any tax due to the Inland Revenue. Partners who personally borrow money to invest in the partnership may not be entitled to income tax relief on that interest.

Capital Allowances

We will investigate whether these apply and if so they could significantly reduce members' taxable profits in the early years.

Capital Gains Tax

Capital gains arising from the sale of the property will be proportional to each partner's share in the property. This may give rise to liability to capital gains tax, currently at 18%.

Partners will be responsible for declaring their capital gains on their Self-Assessment Tax Returns and for the payment of any tax due.

VAT

The property is elected for VAT. The Limited Liability Partnership will be registered for VAT, but the purchase price will not be on the basis that it is a 'transfer of a going concern'.

Therefore a VAT bridge will be borrowed from the bank for a period of no more than four months.

The VAT on most fees can be reclaimed by the Limited Partnership.

Borrowings

Amounts owing to any bank and related expenses will rank ahead of partners' entitlement for both equity and loans.

Personal Tax Issues

Each partner should seek personal tax advice from their own tax advisers. Lewis Innovative Investment are not taxation experts. Any information provided is in good faith and based upon our current understanding of Her Majesty's Revenue and Customs (HMRC) current practice.

Taxation rates and rules change and HMRC interpretation of those rules change without notice. If you are in any doubt as to your tax position you should consult your own professional tax adviser. Lewis will not be liable for any financial loss caused as a result of incorrect tax information/advice provided.

Risk Factors

This investment is not regulated by the Financial Services Authority and disputes are unlikely to be within the jurisdiction of the Financial Ombudsman Service. This investment is therefore only suitable for experienced and informed investors.

Inflation

High inflation means higher rent rises in line with general pricing.

Low inflation means rent rises will remain lower which impacts on the growth of the capital value of the property.

Interest Rates

If borrowing applies to the property investment higher interest rates can reduce returns.

Fixed or capped rates on the associated borrowing can mitigate this risk.

Planning

One great attraction of commercial property is its scarcity value; planning policies generally restrict supply, thus ensuring a healthy demand for existing premises. Where local planning authorities adopt more liberal policies increased supply can dilute demand.

It is for the above reasons that first class advice is needed on selecting suitable investment opportunities.

Locality

A location's general economic profile may change if, for instance, an out-of-town development draws businesses away; rental increases would become harder to apply which would affect income growth. Conversely, a nearby new major development makes an area more attractive opening the potential for rental income increases.

Liquidity Issues

All property investments including this partnership have liquidity issues and the partnership deed deals with liquidity. The reality is that if a partner wants their money from the Partnership, then either the other partners have to buy them out (possibly through an increased mortgage) or a new individual buys out the leaving partner, or the property is sold and the partnership gains distributed.

Property Risk

The value of the property may fall or rise. Past property market values are not a guide to future property values.

Vacancy Risk

If vacant the owner may be required to pay the business rates on a property. Additionally is the tenant fails or the lease expires (or a break option exercised) the mortgage will have to be maintained whilst the property is vacant.