Private & Confidential

For the attention of: Jane West
London Borough of Hammersmith and Fulham
Town Hall, King Street
Hammersmith
LONDON W6 9JU

16 August 2012

Dear Sir

Earl's Court Redevelopment

Capital & Counties Limited ("Capco"), the leasehold owners of the Earl's Court 1 and 2 exhibition centres wish to redevelop their land holdings and those of Transport for London (TfL), freehold owners of Lillie Bridge Depot and Earl's Court, and those of the London Borough of Hammersmith and Fulham ("the Council", "You") within the Earls Court regeneration area. The Council's interest in the regeneration area comprises of two housing estates, West Kensington and Gibbs Green.

You have considered the prospect of a major regeneration across the three landholdings together with Capco and TfL. Capco have now put forward an offer for the Council's share of land on the Earl's Court site. The consideration offered is supported by a financial model which computes a residual land value for a development specification over the entire site. We understand from you that this residual land value calculation is predicated upon the parties selling the land which they currently own with vacant possession and any costs associated with achieving vacant possession are to be borne by the current landowner.

The residual land value is pro-rated for the Council's share of land based on acreage (the Council's land represents 20.855 acres of the total 65.866 acre site, excluding the Seagrave car park site). We understand from you that Capco have also offered cash consideration for the site at Farm Lane and five additional Council owned properties at Seagrave Road and Rickett Street.

PwC scope of work

This letter documents our review of the latest iteration of the financial model submitted to us *("DFBC 4 for JLL (13.12.11) inc Variable Profit.xlsx, "the 2012 model")* which has been developed by CBRE for Capco to enable the revenues and costs of the development to be assessed, and the net residual value of the land to be determined on the basis of project phasing, tenure and market sale assumptions. PwC have reviewed this model, and have also reviewed its preceding iterations under separate engagement letters *("VIABILITY RLV FOCUS 4KSturgev2 (Update 25 May 11).xlsx" - "the 2011 model", and "Earls Court – Concept II – V1.1 26.11.2010 ECH 5.2.zip" - "the 2010 model").*

The 2012 model sets out the residual land value for the Earl's Court site only. You have appointed PwC to undertake a high level review of the scope, content and structure of the 2012 model and the assumptions that underpin it to confirm whether it provides an accurate residual land value and whether it is a reasonable basis to assess the commercial deal proposed by Capco.

We have reviewed the overall structure of the 2012 model; the logical flow of the calculations between the inputs, workings and output sheets; and we have reviewed the basic mathematics underpinning these calculations. We have not tested each calculation in detail and therefore cannot comment on the accuracy of each and every calculation within the 2012 model.

We have cross referenced the model to development schemes of a similar nature to ensure that the list of model inputs appears complete. Our review has focussed on the material revisions to the key assumptions driving the model, as compared to the corresponding assumptions in the 2011 and 2010 models. This includes developer assumptions, financing assumptions and macro economic assumptions. We have not had sight of any of the master plans associated with the development and have therefore been unable to review the list of assumptions against these. We have therefore only been able to review infrastructure and construction costs at a high level.

The Council, Capco and TfL accept that the proposed redevelopment scheme is subject to further design iterations. This may continue beyond the planning application stage and will have an impact on the revenue and costs which underpin the 2012 model. Any material changes to the schematics of the redevelopment may have a material impact on the residual land value derived for the Council's share of land.

Capco's Offer for Council Land

The table below summarises Capco's offer to the Council

Earl's Court		
Council land area	20.855 acres	Excludes the Seagrave car park site
Cash consideration	£105m	This is the absolute value of cash without applying any discounting to reflect the profiling of the cash receipts. Refer to note 1 which details the impact of discounting, and also details the portion of this cash consideration received for Council owned assets outside of Earl's Court.
Social homes	£103m (589 units)	Refer to note 2 which details the method by which this value is determined.
Intermediate homes (gross value to be shared with leaseholders)	£104m (171 units)	Refer to note 3 which details the necessary upfront costs attached to taking these units and the uncertainty surrounding their realisable value.

Note 1 – Cash consideration

- We understand the amount of **£105m** is inclusive of the cash consideration the Council have accepted for the site at Farm Lane and five additional properties at Seagrave Road and Rickett Street.
- We understand from you that the cash consideration attributed to the Farm Lane site and the additional five properties at Seagrave Road and Rickett Street is expected to be in the region of **£6.2m.** We have not been presented with any information supporting this value and are therefore unable to comment on whether these elements represent Best Consideration.
- The site at Farm Lane and the five properties at Seagrave Road and Rickett Street are not within the Earl's Court masterplan and do not form any part of the residual land value determined by the financial model.
- The Council have confirmed that the amount of **£105m** will be subject to inflation if payments are made beyond the payment dates scheduled within the CLSA, to reflect inflation for the payment delay period only.
- The cash amount of £105m should be discounted to reflect its value to the Council in present value terms. The minimum discount rate applied for this purpose should be 6.60% (which reflects the government risk free rate based on a long term inflation assumption of 3.00%). The present value of the consideration would then be £82m.
- The actual discount rate applied may be higher than 6.60% to reflect the risk of non delivery by Capco. The present value of the cash consideration would then be lower than £82m.

Note 2 – Social homes

- We understand from you that Capco have undertaken to provide 589 replacement homes. Up to 162 of these will be provided at Seagrave Road. Whilst this creates some uncertainty with regards to the number of replacement social homes to be provided on the Earl's Court site, the Council have confirmed that in all scenarios, they are to receive 589 replacement homes in total. The Council have also confirmed that under all scenarios, the total square footage of social housing provided on the Earl's Court site will remain as per the figures set out in the 2012 model.
- We understand from you that, under the terms of the conditional land sale agreement with Capco, upon the sale of the Council's share of land on the Earl's Court site, an obligation is created for the Council to re-house the existing tenants residing there. The Council's obligation may be extinguished on the provision of replacement social homes by Capco.
- On this basis, the Council have opted to value the consideration offered by the replacement social homes at the construction cost of those homes (including professional fees applied at 12.5% but excluding any associated cost of finance).
- The construction cost for the 427 social homes at Earl's Court (this does not include the homes provided at Seagrave Rd) has been provided by Capco as £66m and this has been pro-rated to arrive at a construction cost of £91m for the entire suite of 589 units. Professional fees of 12.5% have then been applied to arrive at a cost of £103m.
- We have not reviewed the construction cost assumptions. Technical consultants should review the robustness of this assumption and we understand that the Council are seeking a duty of care from them.
- We have not considered the cost or opportunity cost of securing vacant possession of sites occupied by the two Council estates or the value of the new homes as they are to be recorded on

the balance sheet of the Council's HRA (which is likely to be at a discount to the value of their construction cost).

Note 3 – Intermediate homes

- We understand from you that the figure of **£104m** represents the market value of the 171 replacement homes. This is based on market values provided by Capco and we have not reviewed these values. Technical consultants will review the robustness of this assumption and the Council are seeking a duty of care from them.
- We understand that the Council has chosen to value the consideration represented by the intermediate homes at the market value of the homes. As explained below, the Council may realise the market value of these homes by selling them on the open market, or offer equity in these homes to the existing leaseholders to effectively meet the costs of vacant possession which the Council would otherwise incur.
- The following information has been provided for information purposes and is based on information provided by the Council; it is not included within our financial model review work:

Overview

- The Council have informed us that there are 171 existing leaseholder units on the Earl's Court site, of which we understand 117 units are owner occupied with the remaining 54 being non resident owners.
- In the absence of the provision of replacement intermediate homes by Capco, the Council would bear an obligation to buy out existing leaseholders or to provide them with replacement homes. This would effectively constitute a cost of vacant possession to be borne solely by the Council, as the residual land value received by the Council is predicated upon land being sold with vacant possession having already been achieved.
- However, all 171 existing leaseholder units are to be replaced by Capco (with upto 38 of these units to be provided at the Seagrave Road site). These replacement homes therefore allow the Council to meet the costs of vacant possession as follows:

Non resident leaseholders (all figures and information provided by the Council):

- The 54 non resident leaseholders will be given a total cash payment of **£18m**, which is to be provided by the Council.
- The Council will then have sole ownership of 54 new homes and may sell them on the open market generating receipts of up to **£32m**.
- In net terms (after the cost of obtaining vacant possession), these 54 replacement homes are therefore worth **£14m** to the Council but it must be borne in mind that the Council retain sales price and sales timing risk on these units.

Resident leaseholders (all figures and information provided by the Council):

- The 117 resident leaseholders will have the option to either:

  (i) receive a cash payment from the Council to the value of their existing property plus, if appropriate under the leaseholder offer, additional payments that may be due for home loss and disturbance. The Council will then have sole ownership of the new home and may sell it on the open market at full market value; or

(ii) receive an equity stake in a new home at the market value of their existing property plus an additional 10% to reflect a home loss payment. A 10% off-plan purchase discount may also be taken into account. The Council will then have ownership of the remaining equity portion in that home.

- The Council's equity share in these units therefore remains uncertain and is dependent upon whether existing leaseholders opt for a cash payment or an equity stake in the new property.
- Based on Council calculations, should all 117 owner occupied leaseholders opt for an equity stake in a new home, the Council would require an upfront cash payment of **£1m** (relating to disturbance) and would have a retained equity stake in those units of **£24m.**
- Should some of the owner occupiers opt for a cash settlement, the Council will have the ability to sell the corresponding replacement homes. The value of the Council's cash receipt may then increase, and the Council's retained equity would then dwindle.
- Based on Council calculations, in the scenario where all leaseholders opt for a cash payment, the maximum upfront cash payment required from the Council is **£59m** (this includes the disturbance payment). Based on figures provided by Capco, the Council may then become the sole owners of new homes with a market value of **£72m.** In net terms (after the cost of obtaining vacant possession), the 117 resident leaseholder homes would therefore be worth **£13m** to the Council in market value terms, but it must be borne in mind that the Council would retain sales risk on these units.
- It must also be borne in mind that the existence of a market for the Council's equity share in these units is uncertain and the Council are advised to carry out further work to assess the value of this equity investment given its relatively illiquid nature. Such a valuation should recognise that the Council's equity stake does not earn any rental income and there is no certainty as regard to the timing of when a leaseholder will choose to sell their home.

Residual land value of Council owned land

The residual land value of the Council's land derived by the Capco model is **£182m.**

We have raised a number of questions on the revenue and cost assumptions used to derive this residual land value. This analysis, and the impact on the Council's land value is considered in the Financial Model Analysis section below.

PwC Conclusion

Based on the scope of work that we have undertaken (within the constraints outlined above), we have confirmed that the 2012 model uses a format, typical for projects of this type, to calculate a residual land value for the land parcel held by the Council, Capco and TfL. We have found no material errors with the logic and arithmetic underpinning the calculations within the financial model. On reviewing the list of model inputs and assumptions, we have found no material omissions when compared against development schemes of a similar nature. We therefore conclude (within the constraints outlined above) that the 2012 model provided by Capco provides a reasonable basis to assess the value of the Council's share of land on the Earl's Court site.

By reference to the scope of work we have performed and our comments noted in this letter, the offer made by Capco for the Council's share of land on the Earl's Court site appears to offer best consideration based on the financial model and its input assumptions and the high level nature of the development plans. Given the scale of the development and high level nature of the development plans and model, the value of the Capco offer is sensitive to relatively small adjustments to input assumptions.

The proposed redevelopment scheme is subject to further design iterations. This may continue beyond the planning application stage and will have an impact on the revenue and costs which underpin the 2012 model. Any material changes to the redevelopment may have a material impact on the residual land value derived for the Council's share of land. Before accepting Capco's offer, we understand that the Council are awaiting receipt from Capco's cost consultants confirming the duty of care they owe to all parties over key model cost and revenue inputs, and are also awaiting the results of an external model audit which has been commissioned.

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Yours sincerely

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1.0 Affordable housing (social and intermediate) outputs

Issues	Impact and Considerations
The 2012 model reflects a 10.1m sq ft (GEA) development scheme with: • 427 replacement social for rent homes; • 133 replacement intermediate homes; • 740 additional intermediate homes.	There has been a reduction of 0.3m sq ft to the development underpinning the 2012 model. It is noted that the relative proportion of the building tenures remains broadly in line with the previous development scheme. The Council should ensure that: i) revised masterplans have been reviewed by technical consultants; ii) the revised redevelopment scheme offered by Capco remains acceptable to the Council, and meets their affordable housing requirements; and iii) the revised redevelopment scheme is congruent with the scheme reflected in the 2012 model. Whilst only small adjustments have been made to the number of social and intermediate homes that populated the 2011 model, these figures remain advanced from the number of homes that populated the 2010 model. The affordable housing tenure mix may have a material impact on the residual land value determined.
The model excludes the site at Seagrave Road as that site does not form part of the development. Capco will offer the following units to the Council from Seagrave Road as part of the current deal: • Up to 162 replacement social for rent homes; • Up to 38 replacement intermediate homes In addition Capco will provide 5 replacement homes to replace the properties at 8a, 8b, 10 and 12 Seagrave Road and 1 Rickett Street. These are also excluded from the model.	The total number of replacement homes provided by Capco on the Earl's Court and Seagrave Road sites will be 589 social homes and 171 intermediate homes. Capco may deliver fewer than 162 social homes and fewer than 38 intermediate homes on the Seagrave Road site. In this scenario, the corresponding number of homes for each tenure type on the Earl's Court site will be greater than those set out in the 2012 model, i.e. the Earl's Court site will then contain more than 427 social homes and more than 133 affordable homes. However, we understand from you that the total square footage of each housing tenure on the Earl's Court site will remain constant under all scenarios. As the 2012 model builds up revenues and costs on a per square foot basis, the revenues and costs associated with the Earl's Court site will remain constant irrespective of the number of social and intermediate homes delivered. In such a scenario, however, the average unit sizes for each tenure type will be smaller than in the 2012 model and the Council should ensure that unit sizes continue to meet Council requirements under all scenarios.

2.0 Council equity stake within intermediate homes

Issues

The Council are provided with 171 replacement intermediate units. The Council must provide these existing 171 leaseholders either with a cash payment to buy their home or an equity stake within a new home at a value in line with the market value of their existing home.

The Council will either own the new home outright (where the existing leaseholder opts for cash payment) or retain an equity portion in the new unit (where the existing leaseholder opts for an equity stake in the new home).

There are 54 non owner occupied units. The leaseholders for these units will receive a cash payment only and their associated replacement units will be owned outright by the Council and may be sold on the open market.

It must be borne in mind that the Council's retained equity stake has no associated rental income stream and its value over time will reflect capital growth only.

Cash associated with the Council's equity is only realised when the property is sold. For those homes where the existing leaseholder opts for a cash payment, it is our understanding from the Council that the property may be sold on the open market immediately. However, it is unknown how many existing leaseholders would proceed with this option. For the homes which become shared ownership, there are a number of unknown factors (including owner behaviour, average tenancy lifespans and transient market conditions) which make the timing of any cash receipt very difficult to determine.

For these reasons, the Council's retained equity stake does not represent an attractive investment to third parties.

The value of the retained equity in today's terms must therefore be heavily discounted to reflect the illiquidity associated with it and the uncertainty attached to its value over time.

Impact and Considerations

Council have prepared a calculation (within "Decant costs.xls", *"LH Equity- April 2012 residents.xls"* and *"LH Equity- April 2012 non residents.xls"*) which quantifies the following:

(i) Non resident leaseholders

- The cash payment required to buy out the 54 non resident leaseholders to achieve VP on the existing site **(£18m).**
- The open market value of the 54 replacement homes owned by the Council on the redeveloped site **(£32m).**
- In net terms, based on the calculations noted above, these 54 replacement homes are therefore worth **£14m** to the Council in market value terms, but it must be borne in mind that the Council retain sale risk on these replacement units.

(ii) Owner occupiers

- The upfront cash payment required by the Council to obtain vacant possession on those units where the leaseholder opts for a cash settlement.
- The notional value of the new homes owned solely by the Council.
- The notional value of the Council's retained equity in the remaining replacement homes on the redeveloped site.

Based on Council projections, the two extreme scenarios have been examined to quantify the Council's maximum exposure:

1) Where all 117 leaseholders opt for a replacement home:

i) Upfront cash required by Council = **£1m** (to cover disturbance costs)
ii) Notional value of the new homes owned solely by Council = **£Nil**
iii) Notional value of the Council's retained equity stake = **£24m**

2) Where all 117 leaseholders opt for a cash settlement:

i) Upfront cash required by Council = **£59m**
ii) Notional value of the new homes owned solely by Council = **£72m**

iii) Notional value of the Council's retained equity stake = **£Nil**

All assumptions driving the calculation to arrive at the figures presented above have been provided by the Council. It is outside the scope of our work to perform any detailed testing on the calculation or the assumptions which underpin it.

The Council should consider discounting the retained equity figure of £24m further to reflect the uncertainty of the quantum and timing of the associated cash receipts over time.

The Council should also clarify any legal restrictions which may be placed upon the re-sale of the intermediate homes, such as whether they can be sold as private homes on the open market.

Within any constraints identified, the Council could further incentivise existing leaseholders to opt for the cash payment. This would allow the Council to retain 100% ownership of the new intermediate homes which they could then sell on the open market to realise the cash value. The Council should also conduct market testing to determine whether their equity stake represents an investable product for third parties.

3.0 Due diligence over cost and revenue inputs

Issues	Impact and Considerations
We understand that the Council are seeking a duty of care over the cost and revenue inputs from technical consultants. Council are still awaiting receipt of this to obtain comfort over the completeness and accuracy of these inputs.	There is the potential for further revisions to be made to the cost and revenue inputs upon completion of the technical consultant review which may impact the residual land value calculated.
We have noted material revisions made to the following inputs when compared against the 2011 model and comfort should be sought on the accuracy of these: • **£25m** of additional income received during the development from advertising hoardings, cash machines, temporary uses etc. • **£10m** of additional income described as Energy Capital Contribution. The 2011 model contained no equivalent revenue. • **£123m** of planning, site clearance costs and costs associated with the continuity of occupation have been added. The 2011 model contained no equivalent costs. • Construction cost for retail units have increased by 35%*. • Construction cost for affordable residential units have increased by 20%*. • The sales value of the intermediate homes has increased by 45%. • The sales value of the boutique hotel has increased by 40%. * (all movements determined on a pro rata basis for the revised development scheme)	The additional income streams should be reviewed for accuracy and completeness. We understand from the Council that this is to be reviewed by technical consultants and will be covered in the duty of care provided by them to the Council. The additional £123m of cost includes £34m of cost associated with the site at Seagrave Road. The 2012 model computes a residual land value calculation for the Earl's Court site only. The £34m of cost associated with Seagrave Road should therefore be removed. Capco should confirm that they will bear the risk on the completeness of the planning, site clearance costs and the costs associated with the continuity of occupation. The residual land value determined should not subsequently be revised to compensate.
In addition, we have previously noted material revisions made to the following cost inputs when compared against the 2010 model and comfort should be sought on the accuracy of these: • Infrastructure costs have increased by 30%. • Sales costs have increased by 50%.	

4.0 Developer return

Issues	Impact and Considerations
The 2012 model assumes that a return of **20%** is applied to **all** residential units. This represents a departure from the 2011 model which applied a developer return of: **20%** to private units; **6%** to affordable units; and **10%** to commercial units.	For the private residential units, the developer return of 20% is at the upper end of the range of acceptable values, and this reflects the risk profile associated with these units on a development scheme of this scale and nature. However, for the affordable and commercial units, the developer return of 20% is considered too high for the risk profiles associated with those units. We have run the 2012 model with a revised developer margin in line with the values employed in the 2011 model which reflected developer returns within an acceptable range of values for each tenure type. This has resulted in an increase of c.£53m to the total residual land value and an increase of c.£17m to the residual value of the Council's land. It should be noted that the impact of the higher developer profit is negated by the finance costs in the model which appear conservative and which have a favourable impact on the residual land value derived. Refer to point 9 for further detail.

5.0 Sales value of additional intermediate homes

Issues	Impact and Considerations
The sales value of the additional intermediate homes within the 2012 model is £285 per square foot. This has increased from the value of £200 per square foot employed in the 2011 model.	Council should confirm that this sales value is a viable purchase price for the potential landlord in order to ensure delivery. It is however noted that Capco will bear the risk on the viability of this sales value.
The council is relying on Capco and other parties to deliver these 740 additional intermediate homes.	Council should confirm through planning obligations or its sale agreement that the delivery of 740 additional intermediate homes can be enforced.

6.0 Sales value of replacement affordable (social and intermediate) homes

Issues	Impact and Considerations
The 2012 model does not include any sales value for the replacement affordable (social and intermediate) homes.	The residual land value is a reflection of all those revenues and costs which may accrue on a scheme developed for the site. If the replacement affordable homes are subsequently offered as part of the consideration this should not reduce the residual value of the land. The replacement affordable homes already reduce the cash element of the consideration offered by Capco and the homes should therefore be valued in the residual land value calculation. Based on the values Capco have provided, the replacement social homes have been valued at £125 per square foot and the replacement intermediate homes have been valued at £285 per square foot. We have not tested these figures, and the Council are advised to seek a duty of care from technical consultants. Applying these values to the replacement social and replacement intermediate homes in the 2012 model, the total residual land value increases by c.£48m. The Council's residual land value would then be £197m. This Council have examined the results of this scenario and factored this into their negotiation strategy with Capco. Capco's offer for the Council's land continues to exceed the residual land value calculated under this scenario. It should be noted that the impact of no revenue stream being applied to the replacement affordable units is negated by the finance costs in the model which appear conservative and which have a favourable impact on the residual land value derived. Refer to point 9 for further detail.

7.0 Phasing and delivery rate of affordable (social and intermediate) homes

Issues	Impact and Considerations
Capco's delivery schedule for the affordable (social and intermediate) homes assumes that almost half of the affordable homes will be delivered after 2020. This phasing programme includes the 740 additional intermediate homes.	Current rate of delivery of affordable housing appears slow. It is however noted that existing tenants will not be decanted until the replacement affordable housing is available. The Council should ensure that the replacement affordable (social and intermediate) housing is completed before the additional intermediate housing. The total number of affordable housing units available to the Council does not diminish over time.

8.0 Timing risk of £105m cash receipt

Issues	Impact and Considerations
The cash consideration of £105m is the value in absolute terms – the impact of indexation and discounting has not been considered.	The value of the consideration received by the Council is impacted by the time value of money and inflationary increases to costs and revenues. We have calculated the present value of the cash receipt profile as outlined in the draft copy of the CLSA provided to us by the Council on 22 February 2012. We have assumed that the CSLA will be signed by 31 May 2012 and that Capco will take the option to develop on the land before 31 December 2015. We note that should the trigger be served after 31 Dec 2015 then the £75m is due in five equal payments on the service of the trigger and the subsequent four anniversaries thereof. Payments received late as a result of this are indexed. It therefore follows from the CSLA that: • An exclusivity payment of £15m is received on 31 May 2012 which will contribute to the consideration due. We understand from the Council that this amount was transferred to the Council in July 2011, but the early receipt of this payment has not been factored into the discounting calculations set out below where the receipt is assumed to be on 31 May 2012. • £10m of this exclusivity payment becomes refundable if the CSLA is not entered into. • A further £15m payment for the Gibbs Green School and Farm Lane sites is also due at 31 May 2012. • The balance of £75m will then be paid in five equal payments 31 Dec 2015 and the subsequent four anniversaries thereof. Based on these assumptions, we have run a series of present value calculations to demonstrate an indicative profile of the cash consideration in present value terms. As the cash is received in tranches but is not indexed to reflect the time value of money (save for any delay periods for payments beyond the dates scheduled within the CLSA), nominal discount rates have been applied with a long term inflation assumption of 3%. The minimum discount rate to apply is the government risk free rate of 6.60% (based on a long term inflation assumption of 3.00%). The present value of the consideration would then be £82m. The actual discount rate applied may be higher than 6.60% to reflect the risk of non delivery by Capco. The present value of the cash consideration would then be lower than £82m. We have provided a range of PVs under different discount rates for illustrative purposes as follows:

Issues	Impact and Considerations
	Discount rate PV of cash consideration • 6.60% £82m • 9.00% £77m • 12.00% £70m

9.0 Finance costs

Issues	Impact and Considerations
The 2012 model assumes a blended average cost of capital of 6.5%. This appears optimistic against current market conditions and other schemes which have been exclusively funded through the private sector. In addition, we would expect a senior debt arrangement fee to be applied on the provision of the facility or at each debt drawdown, but the 2012 model includes no such fee.	Increased costs of finance would reduce the Council's residual land value. This may partially negate the impact of the reduced developer return (point 4.0) and the revenue ascribed to the social and affordable housing (point 6.0) which would increase the Council's land value. As this does not improve the Council's negotiating position, no further scenario analysis or presentation to Capco on this subject is proposed.

10.0 Audit status of financial model

Issues	Impact and Considerations
We understand that the Council have commissioned Mazars LLP to conduct an independent audit of the 2012 model and this has now been completed. We have not seen and information in relation to this audit.	We understand that the model audit process has now been completed. We recommend that a review of the key model audit findings is completed to ensure all relevant items have been addressed.