



Clarence House | Cladding Reports | Update On Current Reports

Dear Sir / Madam,

I write today to update you regarding the cladding report at Clarence House.

LIV Group initially completed cladding reports in November 2017 in response to the Government guidelines to identify the presence of Aluminium Composite Material (ACM) cladding. These reports were widely accepted by financial lenders as acceptable and have been utilised in the sale of most apartments in blocks within the LIV Portfolio.

In December 2018 the Government issued Advice Note 14 (AN14) concerning wall covering systems that do not incorporate ACM, such as wood and High Pressure Laminate (HPL) installations.

This document has recently caused issues in the sale and re-mortgage of apartments, as some valuers are returning a £0 value on flats without explicit proof that there are is zero risk in relation to the building materials present. This is putting a brake on mortgage applications until the materials present are deemed safe; or remediation costed and implemented.

To move things forward, we have already engaged with a surveyor to undertake a survey for Clarence House, in line with the AN14 issued by the UK Government. There is currently ambiguity around what meets the criteria acceptable to mortgage lenders and valuers, creating a nationwide issue. In response, the Royal Institute of Chartered Surveyors (RICS) is currently working with valuers and lenders to reach an agreement as to how survey findings are presented. We are expecting a communication regarding the outcome of this to be issued by our regulatory body (ARMA) soon.

In the meantime, we have now received copies of the Stage 1 survey reports which provide the results of a thorough visual inspection; however, in anticipation of the expectations and requirements of financial lenders we have now instructed Stage 2 survey reports to be completed at the development. These reports will include more intrusive investigations and material testing across all areas of the building identified by the Stage 1 survey, in order to provide evidence of the actual building status

The Stage 2 survey will result in either a report evidencing that the building is safe, or a detailed summary of any risks found, along with a specification for the remediation of these risks. We expect this report to have been completed by the second week of December 2019. Following an initial review of the stage 1 draft reports with the surveyor there appears to be no high risk concerns for the development at this stage however we will await the results of the stage 2 surveys in order to be able to formally clarify this position.

Whilst we cannot comment on behalf of mortgage lenders, and their own appointed valuers, we have been informed that it is possible that financial lenders may not lend until a Stage 2 survey report evidencing that the building is safe has been provided.

By undertaking the above, we are making progress toward overcoming the obstacles to purchasing and selling apartments at Clarence House. In conjunction with this, we will be closely following the updates from the Ministry of Housing, Communities and Local Government, RICS, ARMA, and other involved authorities, and will be sure to forward any significant/relevant details to Leaseholders.

Yours sincerely

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