



INTERNATIONAL
WHALING COMMISSION

Opportunity for the Commission to Purchase its Headquarters Premises

Evaluation of Options



Executive Summary

The IWC operates from a building known as the Red House which is located in the City of Cambridge, United Kingdom. The Commission – through its Secretariat - has occupied these premises continuously since August 1976 under the terms of a commercial lease.

In September 2015, the landlord communicated his wish to sell the freehold of the Red House (Circular Communication IWC.CCG.1171 of 16 October 2015). Given the length of the IWC's tenancy, and the strength of relationship with the landlord, he has offered the Commission first refusal to purchase the property for a price of one million British pounds.

This offer will remain open for a period of three months, after which the landlord will place the property on the open market. Since the Commission will not assemble in person until October 2016 for IWC66, the Bureau has advised the Chair that a postal ballot is required to assess whether the Commission wishes to proceed with the purchase.

This document evaluates the financial and operational merits of a decision to either: (1) decline the landlord's offer, or (2) to purchase the property. It also explains the process to be used for the postal ballot.

Annexes to this document contain the following supporting information:

- | | |
|----------|--|
| Annex A: | Discussion of a full range of options for Secretariat accommodation in the Cambridge area. |
| Annex B: | Evaluation of options for provision of a loan to support the purchase. |
| Annex C: | Evaluation of effects on the Commission's finances and Contracting Government payments. |
| Annex D: | Heads of Terms of offer prepared by landlord's agent. |

Following the financial and operational evaluation contained in this document, the Secretary **recommends** that it is in the best interests of the Commission to proceed with the purchase. In summary, this recommendation is based upon:

- Over five years, loan repayments on a mortgage will save the Commission an estimated £149,000 compared to continuing to rent the Red House. From year six onwards savings to the Commission are estimated at £23,000 per year.
- A decision to purchase removes the Commission's liability to pay dilapidations charges which would be payable to a new landlord. These charges are independently estimated at £135,000. Instead, a purchase will allow the IWC to take control of maintenance according to its own schedule and long-term requirements.
- At its 2013 meeting, the IWC's Bureau noted the high maintenance charges of the Red House. It encouraged the Secretariat to investigate alternative, modern accommodation in the local Cambridge area. Subsequent investigation of options in 2013 and 2015 indicated limited availability of alternative properties and a dynamic marketplace.
- A decision to purchase the Red House in 2016 will free the Commission from the constraints of long term commercial leases which are typically five to ten years in duration. Instead, the Commission will be free to either repair and refurbish the Red House, or to sell and move to alternative accommodation should suitable alternatives become available.

Evaluation of Options

Option 1: Decline the Landlord's offer (Vote No)

This option will see the Commission decline to purchase the Red House and remain a tenant under the terms of the current commercial lease until expiry in March 2019.

Instead, the landlord will place the freehold on the open market with the IWC remaining a 'sitting tenant' until the end of the current lease arrangement. In 2019 the new landlord will either: (1) negotiate a new long-term lease with the IWC; or (2) ask the IWC to vacate the premises. A request for the IWC to vacate could arise because re-development of the Red House site to residential accommodation may significantly increase the landlord's return on investment.

During the period up to 2019, independent advice is that a new landlord is likely to enforce a rent review condition in the existing commercial lease giving rise to a historic rent increase for 2014 and 2015 estimated at £20,700.

In addition, under the terms of its commercial lease the IWC is responsible for the full maintenance and repair of the Red House, including the structure and fittings. This is a routine provision in UK commercial lease arrangements and means the IWC is liable for repairs to roof, walls, windows etc.

Consequently, we are advised that a new landlord is likely to require the IWC to expedite repairs and maintenance to the property giving rise to a dilapidations charge which has been independently estimated at £135,000¹. At present, the Commission has set aside £50,000 towards dilapidations charges. Any requirement for additional funding prior to lease end will have to be drawn from the General Fund.

Table 1: Five year financial projection for continuing to rent the Red House based on estimated costs

Note that this may be an underestimate if the Secretariat is asked to vacate the premises in 2019 with consequent removal and re-equipment charges.

	2016	2017	2018	2019	2020	Total
Rent	70,350 ²	70,350	70,350	70,350	70,350	351,750
Rent review for 2014 and 2015	20,700 ³					20,700
Dilapidations	135,000 ⁴					135,000
Legal fees to renegotiate lease				10,000 ⁵		10,000
Maintenance	5,000 ⁶	5,000	5,000	5,000	5,000	25,000
Total						£542,450

¹ Report available from the Secretariat upon request.

² The current rent payable at the Red House is £60,000 per annum. However rental rates in the Cambridge area have risen since the lease was signed in 2009 and an independent valuation considers the current minimum rental value to be £70,350. (The valuation is available upon request from the Secretariat). The rental agreement has a rent review clause from 2014 onwards which provides for uplift of rental charges in the event of a market rise. Hence this table records the market rent which the Commission should expect to pay under a new landlord.

³ This figure is the difference between current rent (£60k per annum) and current market rent (70,350) backdated to the date of the rent review clause.

⁴ Estimated by independent survey which is available from Secretariat upon request.

⁵ Secretariat estimate.

⁶ Secretariat estimate.

Option 2: Purchase the Red House (Vote Yes)

This option involves accepting the landlord's offer to purchase the premises and will require the IWC to take a bank loan (mortgage) on a 25 year repayment schedule for 80% of the market price (described in more detail in Annex B). The remaining 20% will be funded in cash from the IWC's general reserves (see discussion in Annex C).

The IWC will also incur purchase costs including conveyancing fees and land registry fees.

Purchasing the Red House will allow the IWC to develop the premises as it sees fit and according to its own timescales. Accordingly, the dilapidations charge shown in Table 1 has been replaced by repairs and refurbishment costs in Table 2. The repairs charges will cover the costs of urgent work to replace items which are no longer weatherproof (i.e. warehouse roof and windows). The refurbishment line will fund on-going work to improve the quality of the office accommodation.

Figures estimated in Tables 1 and 2 indicate a difference of £10,000 between the dilapidations charge (£135,000) and the total costs for repairs and refurbishment (£125,000). This difference arises because if the IWC continues to own the Red House it will not be necessary to restore all fixtures and fittings to the condition prevailing at the time when the lease commenced.

A decision to purchase also provides the IWC with the future flexibility to sell the Red House and move to more modern office premises should any become available in the Cambridge area (see discussion in Annex A). This flexibility arises because of the limitation arising from rental contracts requiring a minimum five year commitment. Since the Red House is located in a thriving village setting just outside Cambridge, it would be straightforward to find a buyer should moving become a desirable option.

Table 2: Five year financial projection for purchasing the Red House based on estimated costs

	2016	2017	2018	2019	2020	Total
Loss of interest income on deposit of £200,000 (at 1.5%) ⁷	3,000	3,000	3,000	3,000	3,000	15,000
Mortgage repayment ⁸	47,000	47,000	47,000	47,000	47,000	235,000
Conveyancing costs ⁹	18,000					18,000
Repairs ¹⁰	50,000					50,000
Refurbishment ¹¹	15,000	15,000	15,000	15,000	15,000	75,000
Total						393,000

Total cost to Contracting Governments over 5 years of purchasing the Red House is estimated at £393,00. Note that in addition to the above costs the deposit (£200,000) will be drawn from existing cash reserves.

After five years, the Commission will own equity in the Red House worth £319,000 (i.e. £200,000 deposit plus £119,000 loan repayments).

⁷ This line represents the loss of interest payment to the Commission which will arise from using £200k of its cash reserves to fund the deposit. The cost of the deposit itself is not shown in the above table since it will remain in the Commission's possession. I.e. it will transfer from being a cash asset to a fixed asset (property) and the Commission will still have claim over it.

⁸ See explanation at Annex B.

⁹ Secretariat estimate.

¹⁰ Secretariat estimate. This will be funded from the Commission's dilapidations fund (see discussion at Annex C) and will cover urgent repairs to the roof and windows.

¹¹ Secretariat estimate. This allocation will allow for internal repairs and refurbishment of ageing décor.

Financial Comparison of Options 1 and 2

The above tables show that continuing to rent the Red House is expected to cost £542k over the next five years. In comparison, a decision to purchase will cost £393k over five years. This represents an estimated saving to the Commission of £149,000.

In addition, at the end of five years the Commission will own around a third of the equity in the Red House, with the remaining two thirds to be repaid over the following 20 years.

Finally, the option to purchase allows the Commission to take the repair and refurbishment schedule of the Red House onto its own timescales rather than having to make the full dilapidations repairs upon establishment of a new landlord.

Operational Evaluation

Purchasing the Red House is the least operationally disruptive scenario since:

- 1 The IWC will be free to operate from the Red House for as long as it wishes, and
- 2 The IWC will be free to repair and develop the Red House according to its requirements, and
- 3 If superior accommodation becomes available in the future, the IWC is free to sell and move on its own timescales without the constraints of a long-term commercial lease.

Effect on Contracting Government Financial Contributions¹²

The option to purchase will have no effect on Contracting Government contributions.

This is because the costs of ownership are projected to be less than the costs of renting. The deposit required will be drawn from existing Commission cash reserves.

Evaluation of Risks

Recognising the importance of this decision to the Commission, the Secretariat has considered the range of risks which may arise and associated approaches for mitigation. They are as follows:

- **An incorrect valuation of the Red House (i.e. paying too high a price)**

This risk arises because, under the terms of the landlord's offer, the Red House will not be offered to the open market. Hence there is no test of the true market value.

This risk is mitigated in three ways. Firstly, the independent valuation obtained by Barclay's Bank in processing the mortgage application confirmed the valuation of £1 million (report available from the Secretariat). Secondly, the advice from the real estate agent working for the Secretariat is that, in their view, the property is worth in excess of the asking price at £1.25 million (report available upon request from the Secretariat). Finally, the costs of the mortgage repayments are less than the costs of renting, and as such the offer price creates value for the Commission.

- **A future decrease in the market value of the Red House (i.e. depreciation concerns)**

Cambridge is a historic and thriving University town. Its location provides a straightforward commute to London and the town is attractive to industry. Evidence of this includes Astra Zeneca's 2013 announcement of plans to establish a new Global R&D Centre and Corporate Headquarters in Cambridge on the Cambridge

¹² See also Annex C on effects on Commission finances

Biomedical Campus, the future home to approximately 2,000 employees. Thus although the property market has seen a period of sustained rise in property prices, this rise has been underpinned by growth in industry and local infrastructure.

- **A rise in bank interest rates and hence higher mortgage repayments**

The Bank of England base rate has been at a historic low of 0.5% for the last five years. Current speculation in the British press suggests that interest rates may start to rise in the middle of 2016, and guidance from the Bank of England is that when the rise comes, it will be gradual.

Annex B indicates the effect of a rising base rate on the Commission's mortgage repayments. This table shows that Barclay's base rate will need to rise fairly substantially from the current 0.5% to 4.7% before mortgage repayments will rise above current rental payments.

- **The effects of reducing the Commission's General Reserve by £200,000 to finance the deposit**

This risk arises because the General Fund also acts as the Commission's cash reserve. As such, it mitigates against cash flow issues which would arise in the event that income from Contracting Government payments is delayed.

The Commission's current financial statements project that, as of 31 December 2015¹³, the Commission will have net current assets of £2.6 million, of which the General Fund will account for £1.2 million. Of the total net current assets, almost all is held in cash in short term interest bearing deposits.

These cash reserves, and the level of the General Fund in particular, are high enough to support a £200,000 expenditure on property without exposing the Commission to cash flow risk. The effect will be to reduce the level of the general fund, and as such the Commission may wish to re-evaluate its reserves policy at the next meeting.

Drawing the deposit from the General Fund will reduce the level of the fund, but will not affect Contracting Government contributions unless the Commission elects to replenish the balance.

Secretary's Recommendation:

The figures above indicate that Option 2 (purchase) creates the greatest long term value for the Commission. This is because:

- Over five years, loan repayments on a mortgage at current interest rates are estimated to cost the Commission around £149,000 less than continuing to rent the Red House;
- Annual savings from year six onwards are estimated to be in the region of £23,000 per year (this being the difference between market rental value and mortgage payments);
- After five years the Commission will own around one third of the equity in its headquarters premises, with the balance due for repayment over the following 20 years;
- A decision to purchase removes the Commission's liability for to pay dilapidations charges upon establishment of a new landlord. These charges are estimated at £135,000. Instead a purchase will allow the IWC to maintain and develop the property according to its own schedule and requirements; and

¹³ Financial statements were presented to the Bureau in September 2015 and are available from the Secretariat upon request.

- A decision to purchase is least operationally disruptive to the Secretariat and brings with it the opportunity to move to superior Cambridge premises in the future if such opportunity arises.

Accordingly the Secretary **recommends** that the Commission proceed with the purchase.

Approval and Authority to Proceed: Process for the postal ballot

Circular Communication IWC.CCG.1179 of 26 November 2015 invites Contracting Governments to participate in a postal ballot in order to indicate whether or not the Commission wishes to purchase its headquarters premises.

IWC postal ballots are conducted under Commission Rule of Procedure E.4 which states *'Between meetings of the Commission or in the case of emergency, a vote of Commissioners may be taken by post, or other means of communication in which case the necessary simple, or where required three-fourths majority, shall be of the total number of Contracting Governments whose right to vote has not been suspended under paragraph E.2'.*

The ballot question is:

'Should the Commission purchase the Red House at the attached offer and related terms¹⁴, and agree to the associated changes to the budget and use of reserves?'

This question requires a simple majority of the total number of Commission members eligible to vote.

A yes vote will approve the purchase of the Red House.

A no vote will decline the opportunity to purchase the Red House.

Contracting Governments are requested to use the attached ballot sheet to indicate their preference (yes, no or abstain) and return by email to the Secretariat. Individual responses will be acknowledged directly to the Commissioner by email (and post if so requested), and the overall result including all votes received published to the Commission at the end of the process to ensure openness and transparency.

At the time of writing the Commission's membership is 88 Contracting Governments. The number with their vote suspended under the provisions of Financial Regulation F is 26. Thus 62 Governments are able to vote, and a simple majority will be achieved with 32 yes votes (i.e. half of 62 plus one to create the majority).

A vote which achieves less than 32 yes votes will not represent a simple majority, and accordingly the motion will fail. This will lead to continuation of the status quo and the Commission will continue to occupy the Red House through the current lease arrangement until its natural expiry in March 2019.

Timescale for response

This document, and the associated invitation to vote was circulated to Contracting Governments on Thursday 26 November 2015 (IWC.CCG.1179). Voting will close on **Thursday 31 December 2015**.

¹⁴ The offer and terms are given at Annex D.

Annex A: Discussion of full range of options for Secretariat accommodation

The IWC operates from a building known as the Red House which is located in the City of Cambridge, United Kingdom. The Commission has occupied these premises continuously since August 1976 under the terms of a commercial lease.

The commercial lease is a 'full maintenance and repair' lease. This is common practice for UK commercial letting arrangements. It means that all costs associated with the repair and maintenance of the property, including the building structure are the responsibility of the tenant.

At its 2013 meeting, the IWC's Bureau discussed the lease arrangements and noted the poor state of repair of the Red House. It advised the Secretary to *'(1) contact the landlord to see what, if anything, could be done to share the cost of the repairs or renovations under the terms of the commercial lease, and (2) to prioritise investigation of alternative options in the local Cambridge area, the financial implications of a move and any cost savings which may be possible. The non-financial benefits of a move such as modern office space, improved energy efficiency and a better working environment should also be emphasised'*.

In response to this request the Secretary communicated with the landlord to share concerns over maintenance costs. Following this exchange the landlord elected to sell the freehold, with first refusal for purchase given to IWC. In his offer of sale, the landlord comments that this opportunity will *'provide [the Commission] with the opportunity to develop the Red House in a manner which meets the ongoing needs of the IWC'*.

In order to monitor the full range of options open to the Commission, the Secretariat also requested advice from local estate agents on alternative office accommodation in the local Cambridge area. Two reviews have been completed, one in March 2015 to inform current discussions, and a previous study in March 2013 to inform discussions at the time of the rent review clause in the current Red House lease contract.

Both of these reviews are available from the Secretariat upon request (secretariat@iwc.int)

The March 2015 study concluded that the only alternative property in the surrounding area that would give a significant cost saving compared to the Red House was also only around half the size of the Red House (2,695 square feet compared to 5,800 square feet). Its location (in the village of Swavesey) is also less advantageous as it is some 10 miles outside Cambridge.

The study concluded that other options would be cost neutral or significantly more expensive, and indicated that rents in a more central Cambridge location were likely to be significantly higher.

The previous study, conducted in March 2013 indicated a greater range of properties available at that time. It concluded that *'of the five options highlighted [in the study] only two would offer cost savings over a five year period, although the savings on one of these would be marginal'*.

Taken together, these studies indicate that:

- The commercial property market in Cambridge is currently fairly dynamic. At the time of writing rental properties are in relatively short supply compared to 2013.
- The IWC's current lease expires in March 2019 and there is little or no advantage to moving prior to this date since the IWC remains liable for rental payments at the Red House until 2019.
- If the IWC wishes to consider relocation at the expiry of the current lease, a reappraisal of options will be required in mid-2018.

Establishment of a Cambridge Conservation Forum

A consortium of Cambridge based organisations have come together to form an organisation called the Cambridge Conservation initiative (CCI). The CCI is in the process of constructing a campus in the centre of Cambridge.

This campus will eventually provide the headquarters or satellite offices for nine scientific research based organisations (see description at <http://www.conservation.cam.ac.uk/cambridge-conservation-campus>).

Recent contact with the Chief Executive of CCI indicates the possibility of office accommodation becoming available on the campus in 2019. This possibility may be of interest to the IWC although would require negotiation closer to the time and a full evaluation of suitability.

Remain at the Red House following a programme of repair and refurbishment

The costings presented in Table 2 make provision for urgent repairs to the structure of the Red House to be completed in 2016 following purchase by the Commission. It would then be possible for the Commission to gradually invest in office refurbishment in order to bring the accommodation at the Red House up to a more modern standard. Consequently, with investment, the Red House could provide adequate long term office accommodation.

Summary

In addition to reducing short term costs, a decision to purchase the Red House in 2016 allows the Commission to refurbish the property to its own requirements, as well as retaining the option to sell and move to more modern and efficient office accommodation at a later date, as and when such options become available.

Annex B: Evaluation of options for provision of a loan to support the purchase

Barclays Bank has provided banking services to the Commission for many years and are familiar with the IWC's constitution as an inter-governmental organisation.

Accordingly, the Secretariat has worked with Barclay's bank to establish the offer of the loan required to finance the purchase of the Red House.

This has required confirmation that, under the terms of the IWC's United Kingdom headquarters agreement, the Commission has the power to borrow funds and to pledge assets as security on a loan. Recent discussions with solicitors have confirmed to the bank's satisfaction that the Commission has these powers.

In addition, the loan arrangements have required an independent valuation of the Red House. This has been undertaken by an independent local estate agency nominated by Barclays (the agency who undertook the valuation is Barker Storey Matthews). Barker Storey Matthews confirmed the market valuation of £1million and their report is available upon request from the Secretariat (secretariat@iwc.int).

The maximum loan offered by Barclays is 80% of the property value, i.e. £800,000. This will require a minimum 20% cash deposit from IWC.

If desired, the IWC can provide a higher deposit and thus reduce the amount of loan required. However the figures presented in this document use an 80:20 split because: (1) this is the minimum reduction in level of the Commission's cash reserves; and (2) even with taking the maximum loan available the annual repayments will be lower than current rental costs.

The cost of the loan offered by Barclays is 2.6% over Barclays Bank Base Rate (currently 0.5%) and a one off set up fee of £8000 or one percent of the loan value. The setup fee is added to the costs of the loan.

The loan margin (2.6%) will remain constant throughout the loan term (25 years), although the bank base rate – currently set at 0.5% - may change depending on future United Kingdom economic conditions. Table three below indicates how repayments will change should the base rate rise in future.

Table 3: Increase in loan costs in the event of rising bank base rate¹⁵.

Bank base rate % (variable)	Loan rate % (constant)	Total interest rate	Repayment cost (per annum)
0.5 (current)	2.6	3.1	47,000
Future rise to:			
3	2.6	5.6	61,000
4.7	2.6	7.3	71,000
5.5	2.6	8.1	76,000
6	2.6	8.6	79,000

Note for comparison that the IWC's current rental payments are expected to be £70,350 per annum from 2016 onwards. Thus bank base rate needs to move from the current 0.5% to 4.7% before loan repayments exceed the level currently being paid through the rental contract.

If, for any reason, the Commission wishes to repay the loan before the end of the 25 year term then a prepayment charge of 1% will apply.

¹⁵ Figures obtained from Dean Tofts (Barclays Business Manager, Eastern Region) correspondence dated 7 October 2015. Figures to be confirmed in a formal offer which will be issued to IWC if the Commission elects to move ahead with the purchase.

Barclays have offered a shorter contractual term loan of either 5 or ten years. This has the advantage that the loan rate would reduce to 2.3% over base rate, although the loan would need to be re-arranged at the end of the contractual term.

Consideration of Fixed Rates

In addition to the variable rate scenario illustrated above, Barclays also offer fixed rate mortgage options over periods of 3, 5 and ten years. These alternatives are compared with the variable rate option in Table 4 below.

Table 4: Comparison of variable and fixed rate options and associated early repayment charges					
	Current variable rate %	Loan rate % (constant)	Total (%)	Annual repayment (£)	Early repayment charge
	0.5	2.6	3.1%	47,000	1%
Fixed rate term	Fixed rate %				
3 years	1.38	2.6	3.98	51,000	Max 3%
5 years	1.62	2.6	4.22	52,400	Max 5%
10 years	1.92	2.6	4.52	54,000	Max 10%

Table 4 indicates that the variable rate option gives the lowest total interest rate of 3.1% which gives annual repayment costs of £47,000. Fixing for a three year term will cost an additional £3,500 per year at current interest rates, and also increases the early repayment charge if the loan is repaid within three years.

At the time of writing there is no clear guidance available on future interest rate rises. Sentiment in the British press in regards to a future rate rise has changed several times during 2015, with a rise not currently expected until middle / late 2016.

Verbal advice received from Barclays bank is that if the IWC can afford rate rises under the variable scheme then it may be appropriate to take advantage of the present lower costs. Alternatively, if the IWC could not afford the effects of a rate rise then it is prudent to take a fixed period.

Table 3 indicates that the IWC can afford interest rate rises from the current 0.5% to 4.7% before mortgage repayments overtake the amount the Commission is expected to pay in rental costs from 2016 onwards. Consequently, the projections prepared in Table 1 are based on financing the purchase with a variable rate loan.

Annex C:

Evaluation of effects on the Commission's finances.

A decision to purchase will have no effect on Contracting Government financial contributions. This is because:

- 1 The deposit will be drawn from existing cash reserves. (i.e. the deposit will not be recovered from future Contracting Government contributions unless the Commission wish to do so).
- 2 The mortgage repayments will be less than the Commission is currently paying in rental. Savings will contribute to improving the general state of repair of the property.
- 3 Urgent repairs will be financed from the Commission's existing dilapidations fund. At the time of writing the dilapidations fund holds £50,000 which has been set aside over previous years to cover anticipated costs at the end of the present lease in 2019. In the event of a purchase urgent repairs will be undertaken immediately and financed from this provision.

A decision to purchase the Red House will have the following effects on the Commission's finances:

- 1 The Commission's cash reserves will be reduced by the amount of the deposit (£200,000). The cash can be drawn either from: (1) the general fund where the balance at December 2015 is forecast to be £1.2 million¹⁶, or (2) drawn from the Commission's severance pay fund where the balance at Dec 2015 is forecast to be £463,000.

In the event of a decision to purchase the Red House the choice of how to fund the deposit can be made by the Commission at its next meeting. This is because funds can initially be drawn from the General Fund, which can then be replenished from the severance pay fund should Commission decide this is a more appropriate method to finance the deposit.

The balance on the General Fund is used as the Commission's financial reserve. The reserve allows the Commission to manage its cash flow – e.g. to continue its operations in the event that income payments are delayed. Reducing the balance on the General Fund by £200,000 will not affect its ability to act as financial reserve, although the Commission may wish to review or reflect upon its reserves policy at its next meeting.

- 2 In the event of a purchase the Commission's balance sheet will record a new fixed asset (i.e. property to the value of £1million). It will also record a new long term loan to the value of £800,000. The value of the loan will decrease over 25 years as it is repaid. As discussed in paragraph one above, the level of the General Fund will reduce by £200,000.
- 3 In the event of a purchase the Commission's current provision for dilapidations will no longer be required if the rental contract is ended. The current provision is projected to be £50,000 by end of 2015 and instead this money will be utilised to start urgent repairs to the Red House. The first priority will be to act on items to keep the building weatherproof, including replacement of the decayed warehouse roof and maintenance to wooden windows at the front of the property. After this point the dilapidations provision will no longer be required.
- 4 In the event of a purchase the Commission's current budget for Red House repairs will continue to be utilised as before (i.e. no change to the use of this budget heading).

¹⁶ Data on funds, reserves and provisions obtained from IWC Financial Statements 31 December 2015 (projection) prepared by Thomas Quinn (Chartered Accountants) and presented to IWC Bureau in September 2015.

- 5 In the event of a purchase the Commission's current budget for Red House rental payments will be utilized for mortgage repayments. As indicated earlier in the document, the current rental payments of £60,000 are higher than the mortgage repayments of £47,000 per year.

Carter Jonas

HEADS OF TERMS

SUBJECT TO CONTRACT

3rd November 2015

1.0 The Property	The Red House
1.1 Address	135 Station Road Impington Cambridge CB24 9NP
2.0 The Parties	
2.1 Owner	Kingston Instrument Company Ltd Rose Cottage Gasden Lane Whitley Surrey GU8 5QB
2.2 Owner's Solicitors	Charles Russell Spechlys LLP One London Square Cross Lanes Guildford Surrey GU1 1UN FAO: Debra Kent Tel: 0845 3556808 Email: Debra.Kent@crsblaw.com
2.3 Owner's Surveyors	Carter Jonas 6-8 Hills Road Cambridge CB2 1NH FAO: Nick Muncey Tel: 01223 326817 Email: nick.muncey@carterjonas.co.uk
2.4 Purchaser	The International Whaling Commission

2.5 Purchaser's Solicitors	<p>Hewitsons LLP Shakespeare House 42 Newmarket Road Cambridge CB5 8EP</p> <p>FAO: James Simpson</p> <p>Tel: 01223 532758 Email: jamesimpson@hewitsons.com</p>
2.6 Purchaser's Surveyor	<p>Savills Unex House 132-134 Hills Road Cambridge CB2 8PA</p> <p>FAO: Philip Ridoutt</p> <p>Tel: 01223 347079 Email: pridoutt@savills.com</p>
3.0 The Terms	
3.1 Price	£1,000,000 (One million pounds)
3.2 VAT	The property has not been elected for VAT.
3.3 Tenure	The property is being offered for sale freehold subject to the terms of the International Whaling Commission's lease for a term of 10 years from 18 March 2009.
3.4 Timings	All reasonable endeavours will be made to ensure documentation is in an agreed form by Monday 7 December with exchange and completion to take place upon consent being granted by IWC which is expected to be December.
4.0 Conditions	<p>These Heads of Terms are subject to the following : -</p> <ol style="list-style-type: none"> 1. Contract but not intended to be legally binding 2. IWC Committee Approval

NPM
4 November 2015