

CONDITIONS OF ENGAGEMENT FOR THE VALUATION AND APPRAISAL OF COMMERCIAL LAND AND BUILDINGS

In these Conditions of Engagement, the following definitions apply:

Client: the person, firm or company who instructs the Company to carry out a valuation and appraisal of commercial land and buildings;

Company: Ho2 Plc, a company registered in England and Wales with company number 03708758 whose registered office is at 14 John Dickinson Centre, London Road, Apsley, Hertfordshire AL3 9QU;

Report: the valuation report produced by the Valuer which will include the information as set out in clause 1.1 of these Conditions of Engagement;

RICS: Royal Institution of Chartered Surveyors;

Confirmation Letter: the letter from the Company to the Client confirming the Client's instructions and setting out the basis of the valuation and any other basis on which the Company will act for the Client;

Valuer: the valuer appointed or employed by the Company to carry out the valuation and produce the Report who will be a Member of the RICS and who is competent to inspect, value and report on the property which is the subject of these Conditions of Engagement.

1. The Service

1.1 The Valuer will provide directly to the Client a Report based on an inspection as described below.

The Report will provide the following:

1.1.1 A full description of the property, its location, apparent state of repair and other relevant information.

1.1.2 A valuation will be provided on the basis (see paragraph 2 below) agreed between the Company and the Client and set out in the Confirmation Letter.

1.1.3 Where the valuation reported pursuant to 1.1.2 above, has been affected by the existence of an unimplemented planning consent for change of use or other development or by the prospect of such consent(s) being available, the Valuer will so report and advise as to the amount(s) the value of the property may be increased as a consequence.

1.1.4 In the case of property to be held as an investment:

(a) a projection, at rental levels current at the reporting date, of the rental income to which the owner will be entitled from the property if it remains fully occupied;

(b) an opinion upon the effect on value of the quality and terms of the lease(s) and relevant implications upon the valuation in respect of privity of contract (if any); and

(c) the Valuer's view of the market perception of the tenant's covenant for the class of the subject property in the subject locality, although the Valuer will be under no obligation to ascertain the tenant's financial status.

1.1.5 Advice, if the Valuer considers it relevant, that there is a significant prospect of or potential for change of use or other development of the subject property, or those in the vicinity, which would materially affect the value of the property.

- 1.1.6 An opinion (without liability on the part of the Valuer or the Company) of current market conditions and current and expected trends in respect of the type of property in the area.
- 1.1.7 Advice on any factors which the Valuer considers are likely materially to affect the value or status of the property.
- 1.1.8 A statement as to any special assumptions which the Valuer has made or any departures from the Practice Statements issued by the RICS from time to time.
- 1.1.9 A statement as to the valuation method adopted, and an indication as to the extent to which the Valuer has been able to have regard to market transactions of comparable properties; and:
 - (a) in the case of property valued for the existing use as an operational entity having regard to trading potential, the opinion which the Valuer has formed as to the future trading potential including the gross income and profitability likely to be achieved: and
 - (b) in the case of property valued on a residual basis, the significant material figures and assumptions made and the consequences of changes thereto.
- 1.1.10 Any other aspects which the Valuer considers require further consideration or investigations.
- 1.1.11 The date of the valuation which will be the date of the report unless otherwise agreed.
- 1.2 Following provision of the Report, the Client's representative may discuss its contents with the Valuer.
- 1.3 The Valuer shall, unless otherwise expressly agreed, rely upon information provided by the Client and/or the Client's legal or other professional advisers relating to tenure, leases and all other relevant matters. Where the Valuer relies on information provided, this will be indicated in the Report, with the source of the information. In the event that incorrect information is supplied by the Client, neither the Company nor the Valuer shall be liable for any loss, claims, demands, costs and expenses (including legal and professional expenses) incurred by the Client arising from the use of such incorrect information or any valuation resulting from the use thereof.
- 1.4 The Valuer shall carry out such inspections and investigations as are, in the Valuer's professional judgement, appropriate and possible in the particular circumstances. These will include such oral or web-based town planning enquiries as are reasonable for the Valuer to make.
- 1.5 The Valuer will undertake a visual inspection of so much of the exterior and interior of the property as is accessible in safety and without undue difficulty, and which the Valuer considers reasonably necessary to provide the Service, having regard to its purpose. The Valuer is under no duty to carry out a building survey or to inspect those parts of the property which are covered, unexposed or inaccessible, or to raise boards, move anything, use a moisture detecting meter, or to arrange for the testing of electrical, heating or other services.
- 1.6 If the Valuer's inspection suggests that there may be material hidden defects, the Valuer will so advise and may exceptionally defer submitting a final Report until the result of further investigations are available.
- 1.7 If it is not reasonably possible to carry out a substantial part of the inspection this will be stated.
- 1.8 The Report will not identify:
 - 1.8.1 the existence of contamination by any harmful substance; or
 - 1.8.2 the existence of asbestos; or
 - 1.8.3 whether the premises accord with the provisions of the Disability Discrimination Act 1995 (DDA); or
 - 1.8.4 the existence of any environmental factors that are an inherent feature of the property or the surrounding area

which could impact on the value of the property interest;

unless, by agreement with the Client, reports thereon from one or more third party specialists have been obtained and made available to the Valuer, who will have no liability in respect thereof. If, however, the Valuer in the course of the Valuer's inspection concludes that there may be material contamination by any harmful substance, asbestos present, materials issues arising in respect of DDA or environmental factors present, the Valuer will report this to the Client with a view to a decision being taken by the Client as to whether to commission an appropriate third party specialist report.

1.9 In preparing the Report, unless otherwise stated by the Valuer the following assumptions will be made which the Valuer shall be under no duty to verify:

- (a) that no deleterious or hazardous materials or techniques were used in the construction of the property or have since been incorporated;
- (b) that good title can be shown and that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing;
- (c) that the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries made by prospective purchasers, or by any statutory notice, and that neither the property, or its condition, or its use, or its intended use, is or will be unlawful;
- (d) that inspection of those parts that have not been inspected would neither reveal material defects nor cause the Valuer to alter the valuation materially; and
- (e) that no contaminative or potentially contaminative uses have ever been carried out on the property and that there is no potential for contamination of the subject property from past or present uses

of the property or from any neighbouring property.

1.10 In providing the Service the Valuer will have regard to and undertake the valuation in accordance with the relevant requirements of the RICS Valuation Standards 6th Edition.

1.11 The Report will be provided only for the stated purpose and for the sole use of the named Client. The Company accepts responsibility to the Client alone that the Report will be prepared with the skill, care and diligence reasonably to be expected of a competent Valuer, and accepts no responsibility whatsoever to any parties other than the Client. Any such parties rely upon the Report at their own risk. Neither the whole nor any part of the Report, nor any reference to it, may be included in any published document, circular or statement, or published in any way, without the Company's written approval of the form and context in which it may appear.

1.12 Unless otherwise stated, Professional Indemnity Insurance is available in respect of the service on a per claim basis.

1.13 The Company shall use reasonable endeavours to meet any target dates specified by the Client for carrying out the inspection or producing the Report, but any such dates shall be estimates only and shall not be of the essence of these Conditions of Engagement and Confirmation Letter.

1.14 Unless otherwise agreed in writing, the currency in which the valuation will be given will be pounds sterling.

2. **Valuation Basis**

2.1 The valuation provided will be on the basis of the aforementioned assumptions in respect of individual subject properties (unless otherwise agreed) as inspected, and on the basis of Market Value or on a basis as otherwise agreed in writing between the Company and the Client, such bases as defined or referred to in the RICS Valuation Standards 6th Edition.

- 2.2 The valuations will exclude any additional value attributable to goodwill, or the value of any fixtures, fittings, plant and machinery which are only of value in situ to the present or proposed occupier, except in the case of property which is fully equipped and valued as an operational entity, where only goodwill is excluded.
- 2.3 In the case of tenanted property, the valuation will identify improvements undertaken by tenants (if made known to the valuer) and whether the improvements should be disregarded on renewal or review of the lease or whether they may give rise to a compensation claim by the tenant when vacating the property.
3. **Instructions and Charges**
- 3.1 All instructions of the Client will be made directly by the Client and confirmed by the Company in the Confirmation Letter.
- 3.2 On receipt of the Report, the Client shall pay to the Company the fee initially agreed between them, or any amendment thereto agreed by the Company and the Client if the Valuer's instructions are subsequently modified. In addition the Client will reimburse the Valuer the cost of all reasonable out-of-pocket expenses which the Valuer or the Company may incur and pay the amount of any Value Added Tax on the fee and expenses. Invoices are to be paid within 28 days of the invoice date. The Company reserves the right to charge interest at 2.5% per month from the due date on any amount that remains unpaid until payment is made.
4. **Complaint Handling**
- 4.1 Stiles Harold Williams has a Complaint Handling Procedure in accordance with Rule 7 of the RICS Members' Conduct Regulations which is available on request from the Managing Director.
5. **Termination**
- 5.1 Without prejudice to Condition 5.2, either party may terminate the agreement on giving the other 48 hours' written notice.
- 5.2 Without prejudice to any other rights or remedies which the parties may have, the Company may terminate the agreement immediately on giving notice to the Client if:
- 5.2.1 circumstances arise which make it impossible for the Company to proceed with the valuation; or
- 5.2.2 information comes to the attention of the Company which the Company reasonably believes gives the Company a conflict of interest if it continues to act for the Client; or
- 5.2.3 an order is made or a resolution passed for the winding up of the Client, an order is made or documents filed with a court of competent jurisdiction or notice of intention by any person is given for the appointment of an administrator to manage the affairs, business and property of the Client, the Client makes any arrangement or composition with its creditors or makes an application to a court of competent jurisdiction for the protection of its creditors in any way, the Client ceases, or threatens to cease, to trade or the Client takes or suffers any similar or analogous action in any jurisdiction in consequence of debt.
- 5.3 On termination of the agreement, the Company reserves the right to charge the client a fee on the basis of time spent up to a maximum amounting to the full fee as set out in the Confirmation Letter, subject to a minimum fee as set out in the Confirmation Letter.
6. **Entire Agreement**
- 6.1 These Conditions of Engagement and the Confirmation Letter constitute the entire agreement between the Company and the Client relating to the subject matter of these Conditions of Engagement. You agree that you have not relied on and shall have no remedy in respect of any statement, representation, warranty or understanding (whether negligently or innocently made) of any person other than as expressly set out in these Conditions of Engagement or the Confirmation Letter. Nothing in this

condition excludes or limits any liability for fraud. If there is any conflict between these Conditions of Engagement and the Confirmation Letter, the terms of the Confirmation Letter prevail.

any dispute arising in relation to the same the English Courts will have exclusive jurisdiction.

7. **Variation**

7.1 These Conditions of Engagement and the Confirmation Letter may not be varied except as mutually agreed in writing by the Company and the Client.

8. **Liability**

8.1 Except for liability in the event of death, personal injury or fraud caused by the Company:

8.1.1 the Company shall not be liable to the Client for any indirect or consequential damage suffered by the Client, including without limitation loss of profit, goodwill, business opportunity, contracts or anticipated savings or increased costs or expenses; and

8.1.2 The Company's total liability in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise arising in connection with the performance or contemplated performance of this agreement shall be limited to £1 million.

9. **Third Party Rights**

9.1 Except for the Valuer, no third party shall acquire rights arising from the Contracts (Rights of Third Parties) Act 1999.

10. **Severance**

10.1 If any provision of these Conditions of Engagement or the Confirmation Letter is held by any court or other competent authority to be invalid or unenforceable in whole or in part, the validity of the other provisions of these Conditions of Engagement or the Confirmation Letter and the remainder of the provision in question shall not be affected.

11. **Law and Jurisdiction**

11.1 English law shall apply to these Conditions of Engagement and the Confirmation Letter and in the event of