

Standard Terms of Business for Valuations

Generally

Application

As it is in the interest of both parties that there is a full understanding of the terms of reference and the service to be provided, this document sets out our Standard Terms of Business for Valuations. We are pleased to discuss variations and to arrange the provision of extended or additional services, such as site, building or structural surveys.

Appointment

The client appoints Michael Hornsby & Co to provide the agreed services exercising reasonable skill and care. This document and the acknowledgement letter are to be read together as a single document. Any variations to these terms agreed following the initial settlement of the terms are to be recorded in writing and agreed by all the relevant parties.

Performance standards

We confirm that the valuations and appraisals will be carried out in accordance with the RICS Valuation Standards (The Red Book). Compliance with the RICS Rules of Conduct and the Red Book is mandatory for Chartered Surveyors in the interests of maintaining high standards of service and for the protection of clients.

Liability and duty of care

Michael Hornsby & Co owes to the client a duty to act with reasonable skill and care in providing the service and complying with the client's instructions where those instructions do not conflict with these terms or applicable law and professional rules.

We have no liability for the consequences, including delay in or failure to provide the services, of any failure by the client or any agent of the client: promptly to provide information or other material reasonably requested, or where that material is inaccurate or incomplete, or to follow our advice or recommendations.

The contents of the valuation report are intended to be confidential to the party to whom it is addressed. Unless provided otherwise by law or regulation, we owe no duty of care and have no liability to any third party for the whole or any part of our valuation.

We confirm that Michael Hornsby & Co holds professional indemnity insurance in respect of the service to be provided.

The client's obligations

The client agrees to pay the fees for the work carried out in accordance with the rates or structure set out in the acknowledgement letter.

The client will be responsible for the timely provision of all information and cooperation reasonably, including that from third parties engaged directly by the client, required by us to assist in the performance of the service. We will assume that the information provided is complete and correct.

The client will not make available to any third party or reproduce the whole or any part of the report, nor make reference to it, in any publication without our prior written approval of the form and context in which such disclosure may be made.

In the event of a termination of our services, our fees will be calculated on a quantum meruit basis having regard to the agreed rates or fee structure.

Jurisdiction

English law shall apply in every respect in relation to the valuation and the agreement with the client which shall be deemed to have been made in England. In the event of any dispute arising in connection with the

valuation, including any third party using the valuation, the parties will submit to the jurisdiction of the English courts only.

Regulated Purpose Valuations

The RICS has established particular requirements where a valuation may be made available to third parties, such as part of a company's published financial statement. Such valuations, and the disclosures required within the report will be identified in the acknowledgement letter.

The status of the valuer

The valuation will be the responsibility of a named suitably qualified valuer who will be acting as an independent valuer.

Where the valuation is a Regulated Purpose Valuation, the acknowledgement letter will include a statement as to our policy on the rotation of the valuer having responsibility for the subject valuation. The report will also include statements in relation to the length of time the valuer has been continuously the signatory to valuations provided for you for the same purpose as the report, the extent and duration of the relationship of Michael Hornsby & Co with you, and an indication of the proportion of fees relative to the total income of Michael Hornsby & Co within a range of five percentage points.

Complaints

In the event that a complaint should arise, we confirm that we have a complaints handling procedure, a copy of which will be provided on request.

Valuation conditions and assumptions

Generally

Inspections and investigations will be carried out to the extent necessary to produce a valuation which is professionally adequate for its purpose. Where valuations have to be made on restricted information, the nature of the restrictions will be set out in the acknowledgement letter and the report.

Subject to the comments in the following paragraphs, we shall make certain assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, our valuations that we will not verify as part of the valuation process, but treat them as a 'supposition taken to be true'. In the event these assumptions prove to be incorrect then our valuations will need to be reviewed.

Bases of valuation

The Red Book recognises four bases of value:

- Market Value
- market rent
- worth (investment value)
- fair value.

The acknowledgement letter will specify the basis to be adopted, together with any assumptions amending the definitions. The definitions of these terms are set out at the end of this document.

Condition and repair

Unless specifically instructed to carry out a separate building survey, or commission a test of service installations, our valuation will assume:

- that except for any defects specifically noted in our report, the property is in good condition;
- that no construction materials have been used that are deleterious, or likely to give rise to structural defects;
- that no hazardous materials are present;
- that all relevant statutory requirements relating to use or construction have been complied with; and
- that any services, together with any associated computer hardware and software, are fully operational and free from impending breakdown or malfunction.

We shall, however, reflect the general condition noted during the course of our valuation inspection and any defects or hazards of which we become aware in the course of our investigations. Any matters that we consider material to the valuation will be referred to in our report.

Ground conditions and environmental risks

Unless provided with information to the contrary, our valuation will assume:

- that the site is physically capable of development or redevelopment, when appropriate, and that no special or unusual costs will be incurred in providing foundations and infrastructure;
- that there are no archaeological remains on or under the land which could adversely impact on value;
- that the property is not adversely affected by any form of pollution or contamination; and
- that there is no abnormal risk of flooding.

We shall, however, comment on any factors discovered during the course of our valuation enquiries that could affect the market perception of risks caused by these factors.

Title and tenancies

We shall rely upon information provided by you or your solicitor relating to title, boundaries and related matters. We will not commission a formal legal search and will assume the information provided to be accurate, up-to-date and complete.

Tenant status

Although we reflect our general understanding of a tenant's status in our valuation, we will make no detailed enquiries about the financial status of tenants. We will assume that appropriate enquiries were made when leases were originally exchanged, or when consent was granted to any assignment or underletting.

Planning and highway enquiries

We shall make informal enquiries of the local planning and highway authorities and also rely on information that is publicly published or available free of charge. Any information obtained will be assumed to be correct. No local searches will be instigated. Except where stated to the contrary, we shall assume that there are no local authority planning or highway proposals that might involve the use of compulsory purchase powers or otherwise directly affect the property.

Floor areas and age

All measurements will be taken in accordance with the RICS *Code of Measuring Practice*. The floor areas in our report will be derived from measurements taken on site or that have been scaled from the drawings supplied and checked by sample measurements on site. Where the age of a building is estimated, this is for guidance only.

Plant and equipment

We will include in our valuations those items of plant and equipment normally considered to be part of the service installations to a building and which would normally pass with the property on a sale or letting. We will exclude all items of process plant and machinery and equipment, together with their special foundations and supports, furniture and furnishings, vehicles, stock and loose tools, and tenants' fixtures and fittings.

Development properties

For properties in the course of development, we will reflect the stage reached in construction and the costs remaining to be spent at the date of valuation. We have regard to the contractual liabilities of the parties involved in the development and any cost estimates that have been prepared by the professional advisers to the project. For recently completed developments, we will take no account of any retentions, nor will we make allowance for any outstanding development costs, fees, or other expenditure for which there may be a liability.

Disposal costs and liabilities

No allowance will be made for expenses of realisation or for taxation which may arise in the event of a disposal and the valuation is expressed as exclusive of VAT or other tax that may be due on such a disposal. Mortgages and similar charges are disregarded.

Reinstatement assessments

We will not provide a reinstatement assessment for insurance purposes. Should this service be required, it will be as an additional service to these standard terms.

Definitions of Bases of Valuation

These definitions are reproduced from the Red Book:

Market Value

'The estimated amount for which a *property* should exchange on the *date of valuation* between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

Market rent

The estimated amount for which a property, or space within a property, should lease on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.'

Worth (investment value)

'The value of a property to a particular investor, or a class of investors, for identified investment objectives. This subjective concept relates specific property to a specific investor, group of investors, or entity with identifiable investment or operational objectives and/or criteria.'

Fair value

'The amount for which an **asset** could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.'

(Fair value is a measurement basis required or permitted under IFRS, where its application is subject to specific requirements that are discussed in [PS 3.5](#). **Fair value** is also used in other situations, for example where the valuer is required to determine a price that is fair between two specified parties, not necessarily the price that could be obtained in a wider market.)'