Jersey Property Holdings
Maritime House
La Route du Port Elizabeth
St Helier
JE2 3NW

Email
Direct
Mobile
Fax
Your Ref
Our Ref

30 July 2015

Dear Sirs

Valuation Engagement letter for Commercial Properties

We refer to the discussions between ………….for DTZ to provide valuations of the properties detailed below. We thank you for your valued instruction and are pleased to confirm the basis on which we propose to carry out the Services.

The Scope of the Engagement

Our Engagement is summarised below:-

Client: Jersey Property Holdings

Properties:
Building 1, Jersey International Finance Centre, St Helier, Jersey
Building 2, Jersey International Finance Centre, St Helier, Jersey
Building 3, Jersey International Finance Centre, St Helier, Jersey
Building 4, Jersey International Finance Centre, St Helier, Jersey
Building 5, Jersey International Finance Centre, St Helier, Jersey
Building 6, Jersey International Finance Centre, St Helier, Jersey
(the 'Properties')

Type of property: Development Land

Tenure: Long Leasehold (150 years)

Valuation date: Date of Issue of Valuation Report

Purpose of Valuation: Internal Management Purposes

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1. Compliance with RICS Valuation - Professional Standards 2014

DTZ confirms that the valuations will be prepared in accordance with the appropriate sections of the RICS Professional Standards ("PS"), RICS Global Valuation Practice Statements ("VPS"), RICS Global Valuation Practice Guidance - Applications ("VPGA") and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation – Professional Standards 2014 (the "Red Book"). It follows that the valuations are compliant with International Valuation Standards ("IVS").

2. Status of valuer and conflicts of interest

DTZ confirms that the valuations shall be undertaken by a suitably qualified valuer, or valuers, who have the knowledge, skills and understanding to undertake the valuations competently and will act as an External Valuer (as defined in the RICS Valuation- Professional Standards 2014) qualified for the purpose of the valuation. DTZ and any affiliate do not act as External Valuer as defined under the Alternative Investment Fund Managers Directive (AIFMD) legislation, or its equivalent under local law. DTZ expressly disclaims any responsibility or obligations under AIFMD and/or its equivalent unless expressly agreed in writing by DTZ.

As you know DTZ have valued part of the site which includes Building 4, 1 and 6 on behalf of HSBC for loan security purposes where the States of Jersey Development Company Limited are the Borrower and you are a Shareholder of the Borrower. DTZ have later valued Building 4 on behalf of The States of Jersey Development Company Limited for internal management purposes. We have made all three parties aware of our previous and current involvement with the Property and can confirm that we are satisfied that no conflict arises in providing the advice requested. In addition, we have informed HSBC the States of Jersey Development Company Limited and of this instruction and they have confirmed that they are happy for DTZ to provide the advice requested.

3. Bases of valuations

4. Other matters

Purpose

Our Valuation Report will be provided solely for the purpose referred to in the section "The Scope of the Engagement".

Addressee

Our Report will be addressed to the addressee of this letter.

Staffing

……………….. will be responsible for our work on this assignment. He will be assisted by the Valuations team and ………….. will be responsible for the day-to-day conduct of the project.

Fees

Our fee for undertaking the Services shall be £10,000. This fee excludes VAT and expenses which shall also be payable pursuant to Clause 3.2 of the DTZ Terms and Conditions. This fee includes the provision of 2 copies of the Valuation Report. Where additional copies are required, a charge may be made reflecting the time spent and costs incurred.

Invoices for fees and, where appropriate, expenses shall be issued.

Limitation of Liability

The cap on liability in Clause 12.3 of the DTZ Terms and Conditions shall be modified in relation to valuations so that DTZ's aggregate liability arising out of, under or in connection with this Engagement shall be 10 times the fee amount agreed and specified above.

Disclosure and Syndication

Publication or disclosure of our Valuation Report shall not be permitted by DTZ unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Valuation – Professional Standards 2014 referred to in the Engagement.

Clause 8.1 of the DTZ Terms and Conditions states that the provision of the services is for the Client's benefit only. If we are subsequently asked to extend responsibility to other parties, then there will be an additional fee payable, to be agreed, to cover our additional time costs, indemnity and insurance liabilities subject to a minimum of £500, plus VAT.

Terms and Conditions

The terms and Conditions governing this Engagement shall be the DTZ Terms and Conditions (attached for your ease of reference), and this Engagement Letter (including the attached Valuation Conditions and Assumptions).

I would be grateful if you would sign and date the enclosed copy of this letter and return the same to me by way of confirmation of your company's acceptance of the above terms and conditions.

Yours faithfully

Acceptance of DTZ Engagement Letter and the DTZ Terms and Conditions

I have read the DTZ Engagement Letter, the Valuation Conditions and Assumptions and the DTZ Terms and Conditions and hereby confirm this Engagement on the basis of the Terms of Business.

Signature

Name ....

Position & Company ....

Date ...

SCHEDULE 1:

DTZ Commercial/Industrial Property Valuation Engagement Letter

Definitions of the Bases of Valuation

Market value

Market Value as defined in VPS 4 1.2 of the RICS Valuation – Professional Standards 2014 ("the Red Book") and applying the conceptual framework which is set out in IVS Framework paragraphs 30-34. Under VPS 4.1.2.1, the term "Market Value" means "The estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"

The conceptual framework settled by the IVSC is set out in paragraphs 30-34 of the IVS Framework and is reproduced below:-

"30. The definition of *market value* shall be applied in accordance with the following conceptual framework:

(a) "the estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value;*

(b) "an asset should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date;*

(c) "on the *valuation date"* requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date,* not those at any other date;

(d) "between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";

(e) "and a willing seller" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

(f) "in an arm's length transaction" is one between parties who do not have a particular or special relationship, eg parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value.* The *market value* transaction is presumed to be between unrelated parties, each acting independently;

(g) "after proper marketing" means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonable obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure t1me is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date;*

(h) "where the parties had each acted knowledgeably, prudently" presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date,* not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

(i) "and without compulsion" establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

31. The concept of *market value* presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an'international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged (see paras 16 to 20 above).

32. The *market value* of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of ari asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

33. The highest and best use of an asset valued on a stand-alone basis may be different from its *highest and best use* as part of a group, when its contribution to the overall value of the group must be considered.

34. The determination of the highest and best use involves consideration of the following:

(a) to establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,

(b) to reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, eg zoning designations, need to be taken into account,

(e) the requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market . participant, after taking into account the costs of conversion to that use, over and above the return on the existing use."

Market Rent

Market Rent as defined in VPS 4.1.3 of the Red Book. Under VPS 4.1.3.1 the term "Market Rent" means "The estimated amount for which an interest in real property should be leased on *the valuation date* between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Whenever Market Rent is provided the "appropriate lease terms" which it reflects should also be stated.

The commentary from the Red Book is reproduced below.

"1.3.2 The definition of *market rent* is a modified definition of *market value;* IVS 230 Real Property Interests paragraphs C8-C11 provide additional commentary.

1.3.3 *Market rent* will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews and the responsibilities of the parties for maintenance and outgoings will all impact the *market rent*. In certain countries or states, statutory factors may either restrict the terms that may be agreed, or influence the impact of terms in the contract. These need to be taken into account were appropriate.

1.3.4. *Market rent* will normally be used to indicate the amount for which a vacant property may be let, or for which a let property be may relet when the existing lease terminates. *Market rent* is not a suitable basis for settling the amount of rent payable under a rent review provision in a lease, where the actual definitions and assumptions have to be used.

1.3.5 Valuers must therefore take care to set out clearly the principal lease terms that are assumed when providing an opinion of *market rent*. If it is the market norm for lettings to include a payment or concession by one party to the other as an incentive to enter into a lease, and this is reflected in the general level of rents agreed, the *market rent* should also be expressed on this basis. The nature of the incentive assumed must be stated by the valuer, along with the assumed lease terms."