



LETTER OF EXPERT OPINION

**PROPERTIES HELD AS INVESTMENTS AS PART OF
“THE MIRLAND DEVELOPMENT CORPORATION
ASSETS” PORTFOLIO, RUSSIA**

PREPARED FOR MIRLAND DEVELOPMENT CORPORATION PLC

16 November 2015

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To: MirLand Development Corporation Plc
Cyprus, Limassol 3025, Thessaloniki Street
Nicolau Pentadromos Centre, Floor 10, office 1002

Attention: Roman Rozental, CEO

Property: "Mirland Development Corporation Assets"

Report Date: 16 November 2015

Valuation Date: 30 September 2015

I INSTRUCTIONS

In accordance with your request, we provide you with our advice in respect of the Market Value of the established interest in the Properties as described above.

We understand that the Letter of Expert Opinion ("the Letter") will be used for the purposes of internal management decision making in regards to financial statements only. No other purpose is intended or should be inferred.

This letter is therefore intended to provide our opinion of value as at date of opinion, September 30, 2015.

When undertaking our assessments of the Market Value we have relied upon information provided to us by the Client and have undertaken research using our in-house agency teams and proprietary research database.

2 MARKET UNCERTAINTY

GENERAL COMMENT

Recent events in Russia linked to geo-political events, currency fluctuations and a reduction in the availability of finance due to sanctions, have resulted in abnormal volatility in the Russian economy with unpredictable consequences for the local real estate market. We have valued the Property on the basis of the market evidence available at the date of valuation, although during 2014 and further in 2015 there have been an increasingly limited volume of transactions. We have endeavoured to reflect current market sentiment, although this is mixed: some commentators are taking a pessimistic view, whilst others suggest that the prospects for Russian real estate may not be adversely affected in the medium term. In the absence of information to the contrary, our valuation has been undertaken assuming that the property market will continue to perform broadly as it has in the past, but we recommend you keep the valuation of this property under review, so far as you judge it to be relevant in the context of the purposes for which this valuation is required.

MARKET INSTABILITY

In accordance with Guidance Note 5 of the RICS Valuation Standards, we would draw your attention to the following comment regarding current market conditions. The current volatility in the Russian financial system, including the significant weakening of the Russian rouble, has created a significant degree of uncertainty in all sectors of the commercial real estate market. In this environment, it is possible that prices and values could go through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions. The lack of liquidity in the capital markets means that it may be very difficult to achieve a successful sale of these assets in the short term and we would recommend that the situation and the valuations are kept under regular review and specific marketing advice is obtained should you wish to effect a disposal.

UNCERTAINTY CLAUSE

It must be noted that sentiment towards the property investment market has weakened considerably during the course of 2014. Fewer transactions are occurring in the market places as investor's contemplate how the market will adjust to the current environment of economic volatility. Our opinion of Market Value is provided in the light of these conditions and investor sentiment. The limited number of comparable transactions and the current market uncertainty mean that,

in arriving at our opinion of Market Value, we are having to exercise more than the usual degree of judgement. Further, we recommend that the valuation is kept under constant review.

4 EXCHANGE RATE

We have indicated the Market Value of the Properties in the attached valuation schedule in US Dollars. In arriving at our opinions of value we have adopted the exchange rate of the Rouble (RUR) against the US Dollar (USD) of 1 USD = 66,2367 RUR according to official information published by the Central Bank of the Russian Federation as at September 30, 2015.

4 VALUATION METHODOLOGY

For the purpose of our valuation we used Income Approach to arrive at the Market Value of each Property.

The most commonly used technique for assessing Market Value within the Income Approach is the Discounted Cash-flow. This is a financial modelling technique based on explicit assumptions regarding the prospective cash-flow to a property or business and the costs associated with being able to generate the income. To this assessed cash-flow a market-derived discount rate is applied to establish a present value for the income stream. This Net Present Value ("NPV") is an indication of Market Value¹. This approach is considered to be the most sophisticated valuation technique, because it allows differences between comparable sales and the Subject Property to be explicitly considered and analyzed.

For detailed consideration of all Global Assumptions of this approach refer to the Valuation Report #15-MOSC-900008 with a valuation date of June 30, 2015.

5 AGGREGATE VALUATION

Subject to the foregoing, and based on values current as at 30th of September 2015, we are of opinion that the aggregation of the Market Value of each 100% share of each freehold and leasehold interest in each Property, as set out in the appendix, is the total sum of (rounded):

US\$343,000,000

THREE HUNDRED FORTY THREE MILLION

US DOLLARS

NET OF VAT

This sum may be apportioned as follows:

#	PROPERTY	MARKET VALUE
1	Hydromashservice	US\$41,000,000
2	MAG	US\$48,600,000
3	Century Buildings	US\$58,600,000
4	Tamiz	US\$29,500,000
5	Vernissage Mall Yaroslavl	US\$56,400,000
6	Triumph Mall Saratov	US\$78,600,000
7	Perkhushkovo settlement	US\$21,800,000
8	Land Plot St. Petersburg	US\$8,500,000

¹ International Valuation Standards Sixth Edition – Guidance Note 9

Based on the information supplied to us as regards ownership, we are of opinion that the Market Value of the Client's beneficial share in each Property, on the basis outlined above is the total sum of (rounded):

US\$317,000,000

THREE HUNDRED SEVENTEEN MILLION

US DOLLARS

NET OF VAT

This sum may be apportioned as follows:

#	PROPERTY	MIRLAND SHARE IN THE PROPERTY	MARKET VALUE
1	Hydromashservice	100%	US\$41,000,000
2	MAG	100%	US\$48,600,000
3	Century Buildings	51%/61%	US\$32,600,000
4	Tamiz	100%	US\$29,500,000
5	Vernissage Mall Yaroslavl	100%	US\$56,400,000
6	Triumph Mall Saratov	100%	US\$78,600,000
7	Perkhushkovo settlement	100%	US\$21,800,000
8	Land Plot St. Petersburg	100%	US\$8,500,000

6 DISCLOSURE

Notwithstanding the preceding paragraph, our prior written approval shall not be required for the reproduction and inclusion of this report, in its entirety or only parts of this report, in respect of the MirLand Development Corporation financial reporting related to its public listing at AIM and TASE.

Signed for and on behalf of Cushman & Wakefield OOO



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APPENDIX I

SCHEDULE OF PROPERTIES

Property Address:	Description, Status and Tenure:	Terms of Existing Tenancies:	Current Net Rent:	Estimated Rent:	Market Value:
<p>“MAG”</p> <p>2-Khutorskaya street, 38A</p> <p>Moscow, Russia</p>	<p>The Property is located in approximately 10 minutes walking distance from the nearest metro station Dmitrovskaya. This location is in the north part of the Moscow Novoslobodsky Business District, approximately 2 kilometres from the Third Transport Ring road.</p> <p>MAG is a former factory site containing several buildings, which have been refurbished and transformed into new class B office space. According to information provided to us, total leasable area is 18,534.80 sq. m. with 175 parking spaces. As at the date of valuation there were 4,702 sq. m. of vacant space, which represents 25.37% of the total rentable area.</p> <p>According to the Long Term Lease Agreement #M-09-031793 of 29th of September 2006, Mashinostroenie and Hydraulika OJSC leases a land plot of 1.2879 ha until 1st of September 2055.</p> <p>The land plot with a total area of 1.0257 ha is held by Mashinostroenie and Hydraulika OJSC under the Decree of the Northern Administrative District of Moscow # 9590 from 19.12.2007 on a leasehold basis up to 30.11.2032.</p>	Differing length periods.	US\$4,178,243	US\$6,461,343	<p>US\$48,600,000</p> <p>US\$48,600,000</p> <p>for the 100% share interest held by the Client according to information provided to us.</p>
<p>“Hydromashservice”</p> <p>2-Khutorskaya street, 38A</p> <p>Moscow, Russia</p>	<p>The Property is located approximately 10 minutes walking distance from the nearest metro station Dmitrovskaya. This location is in the north portion of the Moscow Novoslobodsky Business District, approximately 2 kilometres from the Third Transport Ring road.</p> <p>Hydromashservice is a former factory site containing several buildings, which have been practically fully refurbished and transformed into new class B office space. According to information provided to us total leasable area is 16,696.00 sq. m (of which 1,144 sq. m. or 6.85% are not leased) and 175 parking spaces. The Property has originally been constructed and used as an industrial premise in the former century. The building improvements are owned by Hydromashservice LLC according to ownership certificates provided by the Client.</p> <p>According to the Amendment Agreement No.5 of 29.09.2006 to the land lease agreement # M-09-025311, dated 28.11.2003.</p> <p>Hydromashservice LLC leases a land plot of 1.2237 ha.</p>	Differing length periods.	US\$4,032,072	US\$5,801,373	<p>US\$41,000,000</p> <p>US\$41,000,000</p> <p>for the 100% share interest held by the Client according to information provided to us.</p>

Property Address:	Description, Status and Tenure:	Terms of Existing Tenancies:	Current Net Rent:	Estimated Rent:	Market Value:
<p>“Century Buildings”</p> <p>2-Khutorskaya street, 38A</p> <p>Moscow, Russia</p>	<p>The Property is located in approximately 10 minutes walking distance from the nearest metro station Dmitrovskaya. This location is in the north portion of the Moscow Novoslobodsky Business District, approximately 2 kilometres from the Third Transport Ring road.</p> <p>The property is represented by two Class B office buildings with a total leasable area of 20,903.30 sq. m. located on a land plot with the total area of 0.58 hectares. Vacant premises comprise 22.7% of the GLA, which is 4,747 sq. m</p> <p>The land plot is held leasehold and the building is held freehold.</p>	<p>Differing length periods.</p>	<p>US\$4,531,503</p>	<p>US\$7,480,070</p>	<p>US\$58,600,000</p> <p>US\$32,600,000</p> <p>for the 51%/61% share interest in bld. 8 and bld. 17 respectively held by the Client according to information provided to us.</p>
<p>“Tamiz”</p> <p>2-Khutorskaya street, 38A</p> <p>Moscow, Russia</p>	<p>The Property is located in approximately 10 minutes walking distance from the nearest metro station Dmitrovskaya. This location is in the north portion of the Moscow Novoslobodsky Business District, approximately 2 kilometres from the Third Transport Ring road.</p> <p>The property is represented by Class B office building with a total leasable area of 11,737 sq. m. located on the land plot with the total area of 0.45 hectares. There are 2,251 sq. m. vacant (or 19.18% vacancy rate) in the building at present. Currently the building is offered on the market for lease. The Property has the benefit of 22 surface parking spaces.</p> <p>The land plot is held leasehold and the building is held freehold.</p>	<p>Differing length periods</p>	<p>US\$2,356,907</p>	<p>US\$3,681,475</p>	<p>US\$29,500,000</p> <p>US\$29,500,000</p> <p>for the 100% share interest held by the Client according to information provided to us</p>

Property Address:	Description, Status and Tenure:	Terms of Existing Tenancies:	Current Net Rent:	Estimated Rent:	Market Value:
<p>“Triumph Mall”</p> <p>167 Zarubina Street</p> <p>Saratov, Russia</p>	<p>The Property represents a modern three-floor retail entertainment center with a total leasable area of 27,240.83 sq. m, of which 0,39% are currently vacant.</p> <p>The Property conforms to all European standards in terms of technical and engineering conditions as well as in terms of management services.</p> <p>The Mall has a list of prestigious tenants bound with the owner of the Property by long-term relations.</p> <p>The Subject Property is located at the intersection of Astrakhanskaya and Kutyakova streets at a 15 minutes’ walking distance from the historical centre of Saratov, near Saratov airport and Saratov railway station.</p> <p>The north-eastern border of the site faces Zarubina Street. Universitetskaya Street is to the north-west of the site and Astrakhanskaya Street is to the south-eastern frontier of the site. The south-western border of the site is Kutyakova Street. The surroundings are predominantly retail, residential and industrial premises.</p> <p>The tenure of the land plot of 2.2 ha is freehold.</p>	<p>Differing length periods</p>	<p>US\$8,247,391</p> <p>(including turnover rent)</p>	<p>US\$10,047,567</p> <p>(including turnover rent)</p>	<p>US\$78,600,000</p> <p>US\$78,600,000</p> <p>for the 100% share interest held by the Client according to information provided to us</p>

Property Address:	Description, Status and Tenure:	Terms of Existing Tenancies:	Current Net Rent:	Estimated Rent:	Market Value:
<p>“Vernissage Mall”</p> <p>Moskovskoye Shosse & Kalinina street</p> <p>Yaroslavl Region, Russia</p>	<p>The Property is a modern retail complex with entertainment areas which opened on the 27th of April 2007 with a total leasable area of 34,092 sq. m, of which 19.82% are currently vacant. Gross buildable area comprises 40,787 sq. m. The complex consists of one ground floor and a guest ground parking with 1,450 spaces.</p> <p>Currently, there are 3,484 sq. m or 10.22% vacant.</p> <p>The Property is located at the intersection of Kalinina Street (ring road of Yaroslavl) and Moskovskoye shosse at the border of the city of and the Yaroslavl region. The city centre (6 km) can be reached in about 15 to 20 minutes driving distance. The district is mostly residential, with a large residential micro-district in the north and individual housing surrounding the Subject Property.</p> <p>The Property conforms to all European standards in terms of technical and engineering conditions as well as in terms of management services.</p> <p>The Mall has a list of prestigious tenants bound with the Owner of the Property by long-term relations.</p> <p>The tenure of the land plot (12 hectares in size) is freehold (according to the Ownership Certificate 76-AA #170178). The remaining land area of 18 hectares is reserved for future development (see “Yaroslavl: Phase II”).</p>	Differing length periods.	US\$\$5,339,776 (including turnover rent)	US\$\$6,195,383 (including turnover rent)	<p>US\$56,400,000</p> <p>US\$56,400,000</p> <p>for the 100% share interest held by the Client according to information provided to us.</p>

Property Address:	Description, Status and Tenure:	Terms of Existing Tenancies:	Current Net Rent:	Estimated Rent:	Market Value:
Western Residence Perkhushkovo Odintsovo District Moscow Region, Russia	<p>The Property is located in the Moscow Region, in the Odintsovo District close to Mozhayskoe Shosse approximately 15 km distance to the west of the MKAD (Moscow Ring Road) and approximately five km from Perkhushkovo railway station. The neighbouring land plots are characterised by housing settlements and forests.</p> <p>The Property comprises two adjacent land plots held freehold with a total area of 22.53 ha:</p> <p>Land plot #1 with a total area of 10.57 ha; Land plot #2 with a total area of 11.96 ha.</p> <p>The Property is in the course of development and is intended to provide 163 luxury homes, including about 71 town houses and about 92 business class houses of different types (according to the information provided by the Client). Apart from residential premises a Client Management Building with a total saleable area of 300 sq. m. and 1,570 sq. m. of saleable retail will be constructed.</p> <p>According to the information provided by the Client, as at the date of this Report, the 1st phase of development was 100% completed.</p> <p>51 houses from the 1st phase were already sold as of the date of valuation.</p>	Upon completion the units are expected to get sold on a single unit basis.	Upon completion the units are expected to get sold on a single unit basis.	Upon completion the units are expected to get sold on a single unit basis.	<p>US\$21,800,000</p> <p>US\$21,800,000</p> <p>for the 100% share interest held by the Client according to information provided to us</p>

Property Address:	Description, Status and Tenure:	Terms of Existing Tenancies:	Current Net Rent:	Estimated Rent:	Market Value:
Land Plot for future construction of an office and retail complex 30 Pulkovskoe Shosse Saint Petersburg, Russia	<p>The Property is located in the second line from (set back from) the main road (Pulkovskoe Shosse) connecting the Saint Petersburg airport to the city centre. The distance to the airport is approximately five km. The city centre is about 16 km away.</p> <p>The tenure of the land plot is freehold.</p> <p>The Property is represented by a land plot of 8.17 hectares in total, which is intended for future development of class B office and retail space, including parking facilities in three phases.</p> <p>The land plot represents part of a residential quarter which is being built at present.</p>	n/a	n/a	n/a	<p>US\$8,500,000</p> <p>US\$8,500,000</p> <p>for the 100% share interest held by the Client according to information provided to us</p>

APPENDIX II

BRIEF MARKET COMMENTARY²

COMMERCIAL REAL ESTATE MARKET IS TESTING THE BOTTOM

After massive re-pricing rental rates had stabilized, but business activity diminishes.

There are two factors affecting commercial real estate sectors today: devaluation of RUB and excessive supply of square meters. While construction dynamics is are still high, shrinking demand creates a pressure on the rental rates.

In Q4 market will test its bottom. We expect that major indicators will show the lowest values in Q1 2016. After that we will see some improvements both in leasing activity and rents.

There is an increasing interest from foreign investors to into real estate in Russia. Assets became much cheaper, however in the coming months investors will have to develop approach in investing into Ruble nominated assets.

OUTLOOK

In Q4 2015 we expect the decline in business activity in b2b sector. Consumers will try to compensate salaries cuts by consumer credits, however Christmas sale may be disappointing.

In Q1 2016 we may see first signs of recovery across sectors.

MACRO

Ministry of economics had downgraded base case scenario. Economy will grow much slower than expected in 2016-2018, however recovery of consumer market will be slower than expected before.

MACRO FORECAST (MINISTRY OF ECONOMIC DEVELOPMENT AS OF AUGUST 2015) (▼▲ - change from May forecast)

OIL PRICE (USD PER BARREL)

2015	2016	2017	2018
53* ▲	50* ▼	52* ▲	55* ▼

RUR/USD EXCHANGE RATE

2015	2016	2017	2018
61* ▼	63.3* ▼	63.1* ▼	62.5* ▼

RETAIL TRADE TURNOVER GROWTH (REAL TERMS)

2015	2016	2017	2018
-7.8% ▲	1.9% ▲	3.2% ▲	3.9% ▲

CPI

2015	2016	2017	2018
12.2%* ▲	6.4%* ▼	6.0% ▼	5.1% ►

SALARY GROWTH (REAL TERMS)

2015	2016	2017	2018
-7.7% ▲	1.2% ▼	3.5% ▲	3.6% ▼

Forecast Review colors
 ▼ Downgraded ▲ Upgraded ► Unchanged
 Arrow direction indicates +/- change

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SUMMARY

STRUCTURAL CHANGES IN RUSSIA ECONOMY WILL TRANSFORM REAL ESTATE MARKET

Russia will demonstrate modest growth rates until 2018. It is still unclear will we see positive growth in 2016 or recession will last for 2 years.

²Research department C&W; Marketbeat Q3 2015

For real estate market it means transition from large scale projects to fine tuning of existing schemes and fight for efficiency.

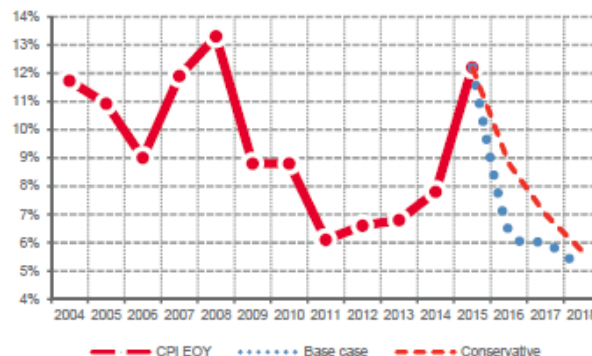
In 2016-2018 major task will not be to create a new product, but to come up with investment ideas that will accommodate de-dollarization and change on the supply-demand ratio.

Among possible drivers for real estate we can point out state infrastructure projects and small scale retail formats.

GDP FORECAST



INFLATION

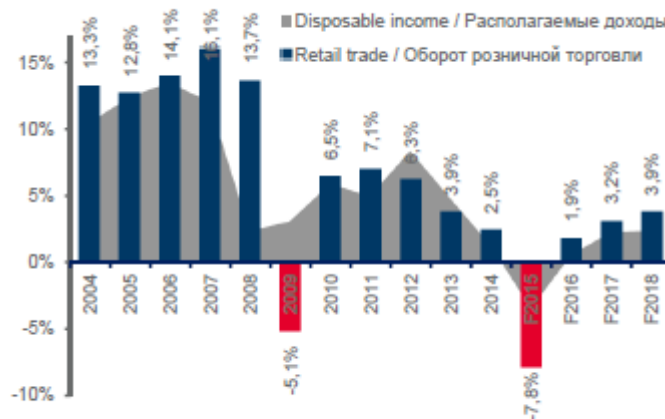


CONSUMER MARKET

SHIFT FROM CONSUMER DRIVEN ECONOMY MODEL

Mining and processing industries will play greater role in country’s economy. Consumers will become more conservative as wages go down and confidence decreases.

CONSUMER MARKET



Source: Ministry of Economic Development

In Q3 consumers were selling their foreign currency reserves in order to compensate decrease in wages. As the result consumer demand was relatively stable and government had improved outlook for consumer segment.

However this resource will be exhausted by winter and we may see second wave of consumer market slowdown.

RUB devaluation will affects consumer market throughout 2016. Expensive imports will be replaced by cheaper imported goods and domestically made products.

Decline on consumer market will lead to job cuts in FMCG and retail and decrease in salaries in this sector.

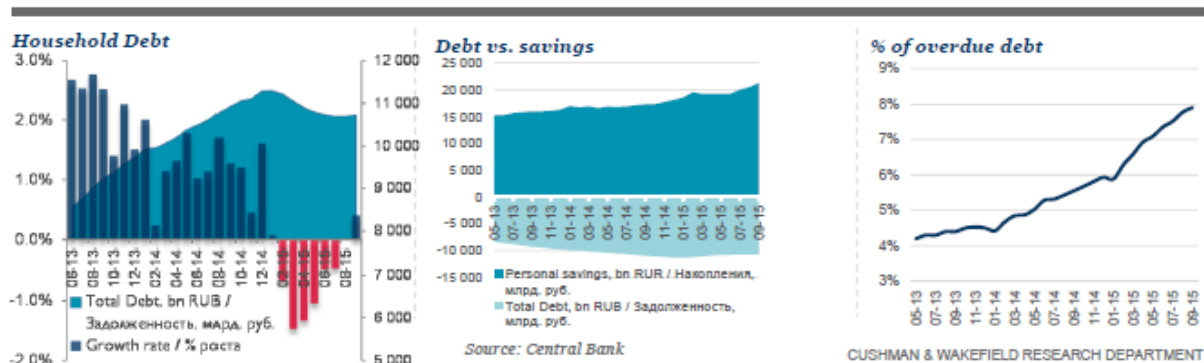
HOUSEHOLD DEBT RECOVERING

Household debt decreases since January 2015. As of August debt had stabilized at \$2700 per household. We expect that in Q4 2015 indebtedness will start rising again because people will try to finance New Year holidays and compensate from decreasing income.

Overdue debt is rising however this is natural for the period when good debts are being paid off.

Savings are still growing, but at a slower rate than before. Significant share of savings is nominated in USD, so RUR appreciation at the end of Q3 pushed savings down a little. So far household debts and savings look healthy, however it is important to understand that while larger cities are enjoying higher savings, in smaller cities debts are much more common among general public.

HOUSEHOLD DEBTS AND SAVINGS



CAPITAL MARKETS

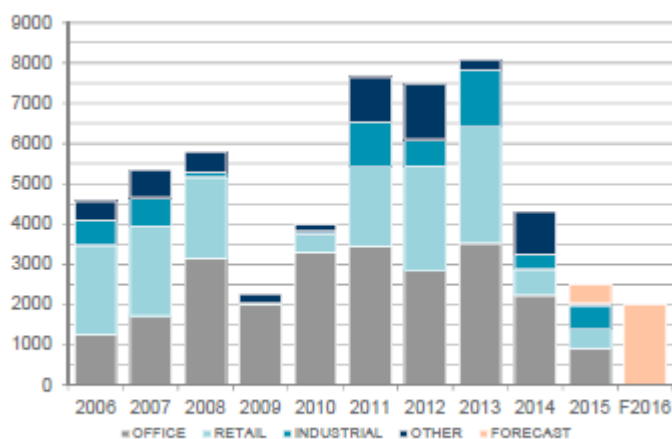


THE INVESTMENT ACTIVITY STABILIZES

THE EXPECTED TOTAL VOLUME IN 2015 REMAINS THE SAME – US\$ 2.5 BN. US\$ 2.0 BN IS THE FORECAST FOR 2016.

The total volume invested in commercial real estate in Russia was US\$ 2.0 bn in Q1-Q3 2015, which is similar to the same period of 2010. We keep our forecast unchanged expecting US\$ 2.5 bn of investments by the end of the year. We forecast the further deceleration of fall of investment activity in 2016, expecting US\$ 2.0 bn by the end of 2016 that is comparable to 2009’s number. We may see new players from different countries attracted to assets that keep getting cheaper. As a result a revival of Russian real estate market may occur at the end of 2016 – the beginning of 2017.

INVESTED VOLUMES BY SEGMENT, US\$ MN



Source: Cushman & Wakefield Research

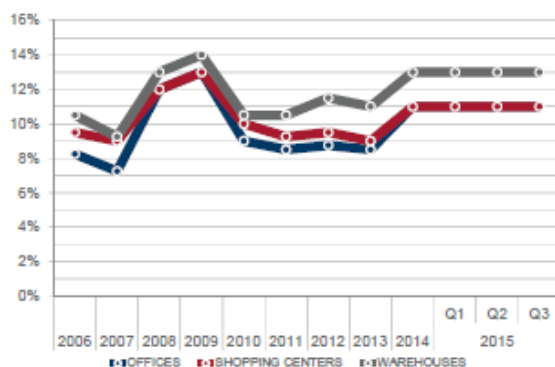
CAPITALIZATION RATES

THE CAPITALIZATION RATES STAY AT THE SAME LEVEL

For the third time we kept capitalization rates at the same level – 11.00% for offices, 11.00% for prime retail, 13.00% for warehouse objects. Those capitalization rates are applicable to the prime objects with dollar cash-flow. At the same time fewer and fewer objects stay in ‘dollar zone’ under pressure of tenants.

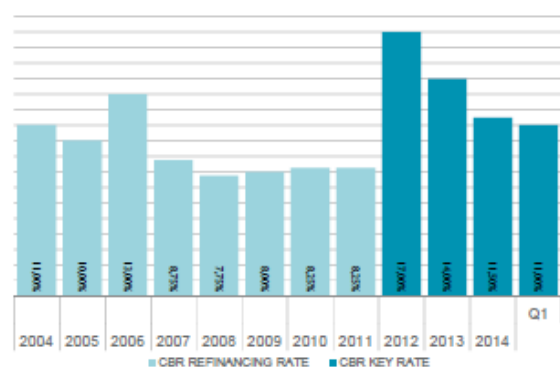
The Central Bank of Russian Federation decided to maintain the key rate at 11.00%, due to the higher inflation risks amid persistent risks of considerable economy cooling. The previous change took place in August 2015 – the key rate was decreased from 11.50% to 11.00%.

CAPITALIZATION RATES, %



Source: Cushman & Wakefield Research

CBR KEY RATE, CBR REFINANCING RATE, %

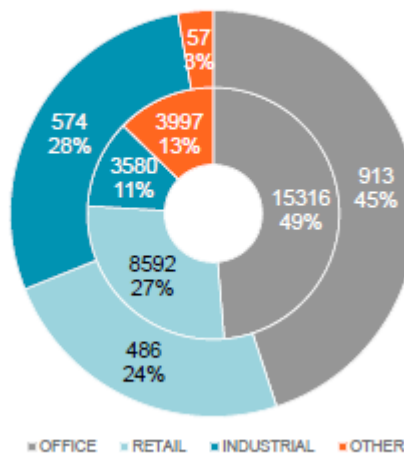


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THE WAREHOUSE SEGMENT DEMONSTRATED THE HIGHEST STABILITY. ABOUT HALF A TOTAL VOLUME WAS SPENT IN OFFICE SEGMENT.

The total volume invested in commercial real estate in Russia was US\$ 2.0 bn in Q1 – Q3 2015. As usual almost half of a total volume (US\$ 913 mn, 45%) was invested in office segment. The warehouse segment attracted US\$ 574 mn – an amount comparable to the average for the last five years. Its share increased from 11% to 28% due to dramatic fall of the total volume and a runoff of funds from hospitality and leisure, that managed to attract just US\$ 57 mn.

INVESTED VOLUMES BY SEGMENT, US\$ MN
2015 OUTER DOUGHNUT
2010 – 2014 INNER DOUGHNUT

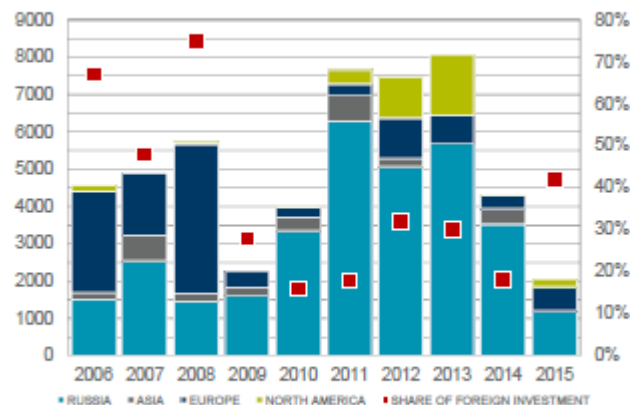


Source: Cushman & Wakefield Research

SIGNIFICANT SHARE OF FOREIGN INVESTMENTS

US\$ 1182 mn and US\$ 848 mn were invested by domestic and foreign companies in Q1 – Q3 2015, respectively.

INVESTED VOLUMES BY ORIGIN, US\$ MN



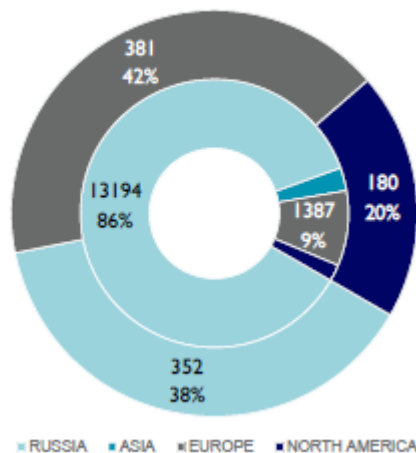
Source: Cushman & Wakefield Research

Based on nine month results of 2015 the share of foreign investments is still high – 42%. Foreign companies’ share was larger during the 2006 – 2008 period. The European investors were the most active during the first three quarters of 2015. They spent US\$ 644 mn that is much more than their average share in the past quinquennium. The American companies – excluding Hines – followed their wait-and-see strategy. The Asian investors kept confirming their potential interest to the Russian real estate. Open sources reported about deals to be closed by Asian companies in the nearest future. But in fact, their share was minor with just US\$ 24 mn of investments.

OFFICES. THE SHARE OF EUROPEAN AND AMERICAN INVESTMENTS IN THE OFFICE SEGMENT IS MORE THAN 60%.

US\$ 913 mn were invested in office segment in Q1 – Q3 2015.

INVESTED VOLUMES BY ORIGIN, US\$ MN
2015 OUTER DOUGHNUT
2010 – 2014 INNER DOUGHNUT



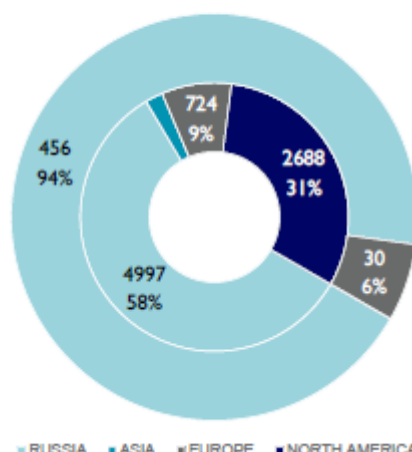
Source: Cushman & Wakefield Research

US\$ 913 mn was invested in office segment in Q1 – Q3 2015. The high quality office buildings permanently attracts up to the half of the total investment volume. The trend was confirmed in 2015 (45% of the total volume in 2015). It is remarkable that more than three fifths of that amount was spent by foreign investors whose average share during the last five years was less than 15%.

RETAIL. LIMITED INTEREST OF FOREIGN INVESTORS TO RETAIL REAL ESTATE.

US\$ 486 mn were invested in retail segment in Q1 – Q3 2015.

INVESTED VOLUMES BY ORIGIN, US\$ MN
2015 OUTER DOUGHNUT
2010 – 2014 INNER DOUGHNUT



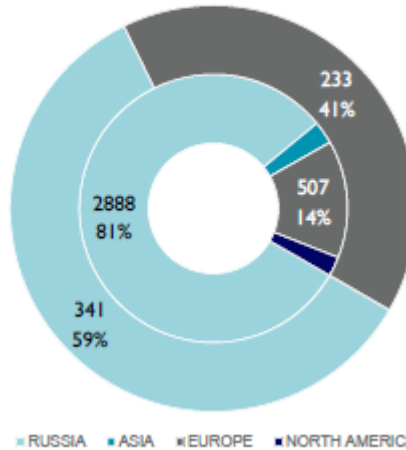
Source: Cushman & Wakefield Research

The retail segment attracted US\$ 486 mn (24% of total investment volume) in Q1 – Q3 2015. The segment shows the most significant fall comparing to the last quinquennium among all the segments of Russian real estate. The high vacancy rate and the continuing unstable economic situation – requiring from a shopper a responsible approach to spending money – convert shopping centers into a financially unpredictable asset. Under the circumstances the investors prefer to be prudent and wait. The here and now shows almost lost interest by foreign investors to retail segment.

WAREHOUSE. 52% OF TOTAL VOLUME WERE INVESTED BY RETAILERS.

US\$ 574 mn were invested in warehouse segment in Q1 – Q3 2015.

INVESTED VOLUMES BY ORIGIN, US\$ MN
2015 **OUTER DOUGHNUT**
2010 – 2014 **INNER DOUGHNUT**



Source: Cushman & Wakefield Research

The warehouse real estate segment is the only segment of Russian real estate expected to attract by the end of the year an amount not less than the average for the last five years. US\$ 574 mn (28% of the total amount) were already invested in warehouses in Q1 – Q3 2015. This amount includes the deal expected to be the biggest in the segment – the PNK-Chekhov complex was sold for more than US\$ 200 mn. Experts believe the prices reached the bottom. The expected growth of price make the current moment ideal for long-term investments. A significant share of the volume invested in the segment was spent by domestic and foreign retailers. During the year they bought the warehouse objects for both owner occupation and investment purposes. Two fifths of the volume were spent by European companies while their Asian and American colleagues abstained from investment activities.

THE BIGGEST DEALS. 56% OF TOTAL INVESTMENT VOLUME ARE CONCENTRATED IN MORE THAN US\$ 100 MN DEALS**THE BIGGEST DEALS, US\$ MN**

QUARTER	SEGMENT	PROPERTY	INVESTOR	AMOUNT
Q1	OFFICES	HERMITAGE PLAZA	EASTERN PROPERTY HOLDINGS	195
Q3	OFFICES	METROPOLIS C	PPF GROUP / HINES	190
Q1	OFFICES	METROPOLIS A	PPF GROUP / HINES	170
Q2	OFFICES	MERCEDES-BENZ PLAZA	REGION GK	85
Q3	RETAIL	MODNY SEZON	KOMPLEKSNYE INVESTITSII	250
Q2	RETAIL	OLIMP	MAJOR	40
Q2	RETAIL	L-153	AUCHAN	30
Q2	WAREHOUSE	PNK – CHEKHOV	GRUPPA BIN	> 200
Q1	WAREHOUSE	SOUTH GATE	LEROY MERLIN	110
Q3	WAREHOUSE	PNK – CHEKHOV 2	ADIDAS	95
Q1	WAREHOUSE	PNK – BEKASOVO	DETSKIY MIR	71

Source: Cushman & Wakefield Research

APPENDIX III

PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

I. PRELIMINARY

- 1.1. These terms and conditions (the "**Terms of Business**") shall apply to all valuation services (excluding agency services and other forms of professional services, to which separate terms will apply) provided by LLC "Cushman & Wakefield OOO", a limited liability company having its registered office at Gasheka str., bld. 6, Moscow, Russia, 125047 ("**C&W**", "**we**" or "**us**") to the client to whom a real estate valuation agreement (the "**Agreement**") is sent ("**you**"). They shall apply separately to each service subsequently provided to you.
- 1.2. The Terms of Business are to be read in conjunction with the relevant Agreement and general valuation principles ("**Valuation Principles**") attached thereto. In the event of any ambiguity or conflict between the relevant Agreement, the Valuation Principles and these Terms of Business, the provisions in the relevant Agreement shall prevail. These Terms of Business and the relevant Agreement may only be varied in writing by agreement between the parties. It is our practice to review and upgrade our Terms of Business frequently and new versions will be sent to you and agreed with you.

2. PERFORMANCE OF THE SERVICES

- 2.1. We undertake to use all reasonable skill and care in providing the services and advice described in the relevant Agreement, based on the instructions given by you (the "Services"). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing and agreed between the parties.
- 2.2. We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance.

3. BASIS OF FEES

- 3.1. The basis of our fees for our Services is set out in the relevant Agreement.
- 3.2. You shall pay all applicable VAT in addition to any fees and disbursements at the applicable rate.
- 3.3. You shall pay our fees on completion of our Services (whether or not additional work is still to be carried out by third parties) or, where the fees are in relation to an ongoing instruction or an instruction of a duration of more than three months, at least quarterly in arrears upon submission by us of quarterly invoices. Payment is due within 10 working days of the invoice date.
- 3.4. Where valuations are undertaken for a lender for loan security purposes and it is agreed that a borrower will pay our fee, you shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon the loan being drawn down or any of the conditions of the loan being met.
- 3.5. If you do not dispute with us an invoice or any part thereof within 15 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.
- 3.6. If we are required by you to undertake any additional work in relation to an instruction, you shall pay additional fees based upon our usual rates. We will notify you of the amount of such additional fees. This also applies where we are asked to review a legal report or Certificate of Title provided to us more than 8 weeks after we have submitted our Report (either draft or final).
- 3.7. Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for annual accounts being used for loan security purposes), we reserve the right to charge an additional fee.
- 3.8. If you subsequently request our invoice to be re-addressed to a party other than that originally agreed, we reserve the right to make an administration charge of \$170. Payment will still be due within 10 working days of the original invoice date.
- 3.9. In the event that you withdraw our instructions prior to completion of a valuation, you shall be liable to pay us for a fair and reasonable proportion of our fees and any agreed disbursements. If we have sent you draft valuation figures, such fees shall be subject to 50% of the fee originally agreed between us and if we have sent you a draft valuation report, such fees shall be subject to 75% of the fee originally agreed between us.
- 3.10. We will advise you in advance if it is necessary or convenient to instruct a third party to provide advice or to act as an expert or arbitrator and provide an estimate of the likely cost.

3.1.1. Where we are instructed to provide Services to one of your subsidiaries or associated / related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associated / related or other entity does not meet its liabilities in relation to payment for the Services provided by us.

4. INTEREST

You shall pay interest on the amount of any invoice for fees or other disbursements that remains unpaid for 10 working days after the date of the invoice in amount of 0,1 per cent for each day but no more than 10 per cent in total.

5. DISBURSEMENTS

You shall pay all disbursements incurred by us in the provision of the Services. Disbursements include, but are not limited to: travel and subsistence expenses at their actual cost.

6. INFORMATION RECEIVED FROM THE CLIENT

We will take all reasonable steps to ensure that property information is accurate where we are responsible for its preparation. Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you acknowledge that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or on your behalf, whether prepared directly by you or by a third party, and whether or not supplied directly to us by that third party and you shall indemnify us should any such liability arise. If our valuation is required for the purpose of purchase or loan security, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

7. CONFLICTS OF INTEREST AND ANTI CORRUPTION

7.1. We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will decide, taking account of legal constraints, relevant regulatory body rules and your and the other client's interests and wishes, whether we can continue to act for both parties (e.g. through the use of separate teams with appropriate Chinese Walls), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable.

7.2. You acknowledge that we may earn commissions, referral fees and may charge handling fees connected to the services that we perform and agree that we shall be entitled to retain them without specific disclosure to you. We will not accept any commissions or referral fees in circumstances where we are of the reasonable belief that they would compromise the independence of any advice that we provide to you.

7.3. We confirm that we will not, and will procure that our employees will not, knowingly engage in any activity which would constitute a breach of Russian anti-corruption legislation as well as the UK Bribery Act 2010 and that we have in place a compliance programme designed to ensure compliance with the terms of the UK Bribery Act 2010.

8. MANAGEMENT OF THE PROPERTY

We shall not be responsible for the management of the property nor have any other responsibility (such as maintenance or repair) in relation to the property. We shall not be liable for any damage that may occur while the property is unoccupied. The property shall be your sole responsibility.

9. TERMINATION BY NOTICE

9.1. Unless a fixed period has been agreed, either party may terminate the instruction by giving 14 days' notice in writing to the other party.

9.2. In the event of termination by notice, you shall be obliged to pay forthwith all the fees accrued in relation to the Services and work performed up to the date of termination (and any abort fee) plus any expenses or disbursements incurred by us or to which we are committed at the date of termination.

10. PROFESSIONAL LIABILITY

10.1. We shall not be liable to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services in respect of:

- (i) any direct loss of profit;

- (ii) any indirect, special or consequential loss whatsoever howsoever caused including without limitation (a) indirect loss of profit; (b) loss of business; (c) loss of goodwill; (d) loss of use of money; (e) loss of opportunity, and the parties agree that the sub-clauses of this clause shall be severable.
- 10.2. We shall not be liable to you in negligence for pure economic loss arising in connection with the performance or contemplated performance of the Services.
- 10.3. You acknowledge and agree that the exclusions contained in this clause 10 are reasonable in all the circumstances and that you have had the opportunity to take independent legal advice.
- 10.4. Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.
- 10.5. Save in respect of third parties directly instructed by us and not on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our Services to you.
- 10.6. Our total aggregate liability (including that of our members and employees) to you or to any other party relying on our valuation and/or report pursuant to this clause 10 in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services shall be limited to an aggregate sum not exceeding twenty times the fee as defined in the relevant Assignment to the Agreement. Nothing in these Terms of Business excludes or limits our liability: (i) for death or personal injury caused by our negligence; (ii) for any matter which it would be illegal for us to exclude or attempt to exclude our liability and (iii) for fraud or fraudulent misrepresentation.
- 10.7. We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.
- 10.8. To cover any liability that might be incurred by us, we confirm that we will maintain compulsory professional indemnity insurance. .
- 10.9. Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However in the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to the following minimum fees:

	FIRST EXTENDED PARTY	SECOND & SUBSEQUENT EXTENDED PARTIES
For the first USD 1m of reported value	0.075%	0.025% per party
Thereafter	0.035%	0.015% per party

These fees are exclusive of VAT and expenses (including the cost of readdressing the report) and are subject to a minimum fee of \$1,250. Should additional work be involved, over and above that undertaken to provide the initial report, we may make a further charge although we will agree this with you before commencing the work.

- 10.10. Where we consent in writing to reliance on our report by another party or other parties, we do so on the condition that (i) the other party or parties agree in writing to be bound by the Agreement and these Terms of Business as if it / they had been a party to the original Agreement between us, with such written agreement being provided to us, (ii) such other party pay the fees demanded as set out in clause 10.9 above (unless agreed otherwise in writing) and (iii) where you act on behalf of a syndicate or in relation to a securitisation, you agree that you are not entitled to pursue any greater claim on behalf of any other party than you would have been entitled to pursue on your own behalf had there been no syndication or securitisation.
- 10.11. Where you provide a copy of and / or permit another party or parties to rely upon our valuation report without obtaining our express written consent and fail to provide us with the written consent of any other party or parties who have received our report to be bound by the Agreement and Terms of Business (in accordance with clause 10.10 above), you agree to indemnify us for any and all liability which arises from the use of or reliance upon our report by such unauthorised party.

10.12. Notwithstanding clause 10.11, where a valuation report is prepared or where we consent to a valuation report being used for the purpose of a prospectus, offering (either directly or indirectly), or a circular to shareholders, you agree to indemnify us for any liability whatsoever that we may have to any parties that have not agreed with us in writing to be bound by these Terms of Business which exceeds our aggregate cap on liability (referred to at clause 10.6) arising from their use and / or reliance on the valuation report.

11. QUALITY OF SERVICE AND COMPLAINTS

11.1. All our valuation reports are signed by a Member of C&W whose responsibility it is to ensure that all relevant quality control procedures have been complied with. In particular, for valuations of properties with an individual value of \$34m or over, the valuer is required to present and explain his methodology to another member of the Valuation & Advisory Team unconnected with the instruction and who is a Member of C&W.

11.2. If you wish to complain about the level of our service to you, in accordance with the requirements of the Royal Institution of Chartered Surveyors, we have a standard complaints procedure, a copy of which is available on request.

12. DATA PROTECTION

12.1. We (and any of our relevant international partnerships, group companies and affiliated organisations) are data controllers of all personal data collected during the provision of the Services. We shall use such personal data and information we obtain from other sources for providing the Services, for administration and customer services, for marketing and to analyse your preferences. We may keep such personal data for a reasonable period for these purposes. We may need to share personal data with our service providers and agents for these purposes. We may disclose personal data in order to comply with a legal or regulatory obligation and you may request, in writing and upon payment of a fee, a copy of the details held about you by us.

12.2. To help us to make credit decisions about you, to prevent fraud, to check identity and to prevent money laundering, we may search the files of credit reference agencies and we may also disclose details of how you conduct your account to such agencies.

12.3. We may share personal data within our international partnerships, group companies and affiliated organisations and with our business partners for marketing purposes, which may be to countries or jurisdictions which do not provide the same level of data protection as the country in which you are based, or we may send you and your employees information about other organisations' goods and services. We or any business partners may contact you and your employees, directly or via our agents, by mail, telephone, fax, email, SMS or other electronic messaging service with offers of goods and services or information that may be of interest. By providing us with your or your employees' personal data (whether that data is deemed sensitive or not) including fax numbers, telephone numbers or email addresses, you and your employees consent to being contacted by these methods for these purposes.

13. MONEY LAUNDERING REGULATIONS

In order to comply with all applicable money laundering legislation and regulation, we may be required to verify certain of your details and may ask you to assist us in complying with such requirements. Where such information is requested, you will provide such information promptly to enable us to provide our Services. We shall not be liable to you or any other parties for any delay in the performance or any failure to perform the Services which may be caused by our duty to comply with any such legal and regulatory requirements.

14. ELECTRONIC COMMUNICATIONS

We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, we and you accept the inherent risks (including the security risks of interception of, or unauthorised access to, such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). In the event of a dispute, neither of us will challenge the legal evidential standing of an electronic document and our system shall be deemed to be the definitive record of electronic communications and documentation.

15. CONFIDENTIALITY

15.1. We owe you a duty of confidentiality. You agree that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we act or have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.

15.2. Subject to clause 16.1, we both agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, we both shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.

15.3. We shall provide the Services to you only for your sole use and for the stated purpose. We shall not be liable to any third party in respect of our Services. You shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.

15.4. We will not approve any mention of our advice unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our advice is subject. Our approval is required whether or not we are referred to by name and whether or not our advice is combined with others.

16. INTELLECTUAL PROPERTY

All intellectual property rights (including copyrights) in the documents, materials, records, data and information in any form developed or provided to you by us or otherwise generated in the provision of our Services shall belong to us solely. You are granted an irrevocable, non-exclusive, royalty-free licence to use or copy such intellectual property rights for any purpose connected with the property.

17. ASSIGNMENT

Neither party shall be entitled to assign this contract or any rights and obligations arising from it without the prior written consent of the other, such consent not to be unreasonably withheld.

18. GENERAL

18.1. If any provision of these Terms of Business is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of these Terms of Business and the remainder of such provision shall continue in full force and effect.

18.2. Failure or delay by us in enforcing or partially enforcing any provision of these Terms of Business shall not be construed as a waiver of any of our rights under these Terms of Business.

18.3. No term of the relevant Agreement or these Terms of Business is intended to confer a benefit on or to be enforceable by any person who is not a party to the same.

18.4. The Agreement shall be governed by and be construed in accordance with legislation of the Russian Federation. Any dispute arising out of or in connection with the services shall be submitted to the exclusive jurisdiction of the Arbitration Court of Moscow.

Where the Client is a legal entity established under the laws other than Russian any dispute, controversy or claim which may arise out of or in connection with the present contract (agreement), or the execution, breach, termination or invalidity thereof, shall be settled by the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Russian Federation in accordance with its Rules.

18.5. References to partners of LLC "Cushman & Wakefield OOO" are used to refer to a Member of LLC "Cushman & Wakefield OOO" or an employee or consultant with equivalent standing and qualifications. A list of the members of LLC "Cushman & Wakefield OOO" and of the non-members who are designated as "partners" is open to inspection at our registered office, 6th floor, Gasheka str., bld.6, Moscow, Russia, 125047.

APPENDIX IV

GENERAL VALUATION PRINCIPLES

I. PRELIMINARY

- 1.1. These general valuation principles (the "Valuation Principles") shall apply to all valuation instructions, other than agency services and other forms of professional services (to which separate terms will apply), provided by LLC "Cushman & Wakefield OOO", a limited liability company having its registered office at Gasheka str., bld. 6, Moscow, Russia, 125047 ("C&W", "we" or "us") to the client to whom a real estate valuation agreement (the "Agreement") is sent ("you"). They shall apply separately to each service subsequently provided to you.
- 1.2. The Valuation Principles are to be read in conjunction with the relevant Agreement and the Terms of Business attached thereto. In the event of any ambiguity or conflict between the relevant Agreement, the Terms of Business and these Valuation Principles, the provisions in the relevant Agreement shall prevail. These Valuation Principles may only be varied in writing by agreement between the parties. It is our practice to review and upgrade our Valuation Principles frequently and new versions will be sent to you and agreed with you.

2. VALUATION BASES

- 2.1. Unless we have said otherwise within the Agreement, the date of valuation will be the date of our inspection.
- 2.2. Unless we have said otherwise in the relevant Agreement, the valuation will be prepared in accordance with the RICS Valuation Professional Standards current at the date of the Agreement (the "Red Book") by valuers conforming to its requirements, acting as external valuer.
- 2.3. Each property will be valued on a basis appropriate to the purpose of the valuation, in accordance with the Red Book in part not contradictory to standards for valuation adopted in Russia. The basis of valuation that we will adopt for each property is specified in the relevant Agreement. Unless the definitions below contradict with the mandatory standards for valuation in Russia the definitions are as follows:

(i) Market Value

Market Value is "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".

(ii) Market Rent

Market Rent is "the estimated amount for which a property would 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 wherein the parties had each acted knowledgeably, prudently and without compulsion".

(iii) Existing Use Value

Existing Use Value is "the estimated amount for which an asset 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 acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost".

(iv) Fair Value

Fair Value is "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction." In the context of International Accounting Standard (IAS) 17, the fair value of the leased asset of interest will normally be its market value (see (i) above).

(v) Existing Use Value for Social Housing

Existing Use Value for Social Housing is "the estimated amount for which a property should exchange, on the date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently, and without compulsion, subject to the following special assumptions that the property will continue to be let by a body pursuant to delivery of a service for the existing use:

- a) at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;
- b) properties temporarily vacant pending re-letting would be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession; and

c) any subsequent sale would be subject to all of the above special assumptions.”

(vi) Projected Market Value of Residential Property

Projected Market Value of Residential Property is “the estimated amount for which an asset is expected to exchange at a date, after the valuation date and specified by the valuer, 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”.

- 2.4. When assessing either Existing Use Value, Fair Value or Market Value for balance sheet purposes, we will not include directly attributable acquisition or disposal costs in our valuation. Where you have asked us to reflect costs (as required under FRS15), they will be stated separately.

In the case of specialised properties (where valuation methods such as market comparison or an income (profits) test cannot be reliably applied), we may use Depreciated Replacement Cost (“DRC”) as a method of estimating Value. The valuation using this method of a property in the private sector will include a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed. If the property is in the public sector, the valuation will include a statement that it is subject to the prospect and viability of the continued occupation and use. Any writing down of a valuation derived solely from the DRC method to reflect the profitability/viability of the entity in occupation is a matter for the occupier. If the valuation is being undertaken for inclusion in accounts prepared under International Financial Reporting Standards, our report will contain a statement that because of the specialised nature of the property, the value is estimated using a DRC method and is not based on the evidence of sales of similar assets in the market. If we consider that the value of the asset would be materially lower if the business ceased, the report will contain a statement to this effect.

3. GENERAL VALUATION ASSUMPTIONS

- 3.1. Unless otherwise agreed, we will provide the Services in relation to any property on the following assumptions:

- (i) the property and any existing buildings are free from any defect whatsoever;
- (ii) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings;
- (iii) all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and property services (such as incoming mains, waste, drains, utility supplies, etc) are in good working order without any defect whatsoever;
- (iv) roads and sewers serving the property have been adopted and that the property has all necessary rights of access over common estate roads, paths, corridors and stairways and to use common parking areas, loading areas and other facilities;
- (v) there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the property, any development or any existing buildings on the property in respect of which the Services are provided or any adjoining property, and that we shall not be responsible for any investigations into the existence of the same and that you are responsible for making such investigations;
- (vi) any building, the building services and the property services comply with all applicable current regulations (including fire and health and safety regulations);
- (vii) the property and any existing building comply with all planning and building regulations, have the benefit of appropriate planning consents or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);
- (viii) appropriate insurance cover is, and will continue to be, available on commercially acceptable terms for any building incorporating types of construction or materials which may pose an increased fire or health and safety risk, or where there may be an increased risk of terrorism, flooding or a rising water table;
- (ix) items of plant and machinery that usually comprise part of the property on an assumed sale are included in the property but items of plant and machinery that are associated with the process being carried on in the property or tenants trade fixtures and fittings are excluded from the property;
- (x) in reflecting the development potential of any property, that all structures will be completed using good quality materials and first class workmanship;
- (xi) any occupational leases are on full repairing and insuring terms, with no unusually onerous provisions or covenants that would affect value;
- (xii) in respect of any lease renewals or rent reviews, all notices have been served validly within any time limits;

(xiii) vacant possession can be given of all accommodation which is unlet or occupied by the entity/borrower or its employees on service tenancies; and

(xiv) any mineral rights are excluded from the property.

4. VALUATION ASSUMPTIONS FOR PROPERTY VALUED HAVING REGARD TO TRADING POTENTIAL

4.1. Unless we have agreed otherwise, for trading related property (such as hotels, marinas and self storage properties where the property is trading and is expected to continue, we will value on the basis and assumption of a fully equipped operational entity, having regard to trading potential.

4.2. Where we are instructed to value a property having regard to its trading potential, we will take account of any trading information that either the operator has supplied to us or that we have obtained from our own enquiries. We will rely on this information being correct and complete and on there being no undisclosed matters that could affect our valuation. The valuation will be based on our opinion as to future trading potential and the level of fair maintainable turnover and fair maintainable operating profit likely to be achieved by a reasonably efficient operator.

4.3. Unless we have said otherwise in the relevant Agreement:

(i) the valuation will be made on the basis that each property will be sold as a whole including all fixtures, fittings, furnishings, equipment, stock and goodwill required to continue trading;

(ii) we will assume that the new owner will normally engage the existing staff and the new management will have the benefit of existing and future bookings or occupational agreements (which may be an important feature of the continuing operation), together with all existing statutory consents, operational permits and licences;

(iii) we will assume that all assets and equipment are fully owned by the operator and are not subject to separate finance leases or charges;

(iv) we will exclude any consumable items, stock in trade and working capital; and

(v) we will assume that all goodwill for the properties is tied to the land and buildings and does not represent personal goodwill to the operator.

5. STRUCTURE

5.1. We will not carry out a structural survey of any property nor will we test services. Further, no inspection will be made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation will be on the basis that the property is free from defect. However, the value will reflect the apparent general state of repair of the property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of the property, nor should such an opinion be implied.

5.2. If we give the age of a building in our report, this will be an estimate and for guidance only.

6. MEASUREMENTS

6.1. Where we are required to measure a property we will generally do so in accordance with the latest edition of the RICS Code of Measuring Practice. However, you should specifically note that the floor areas contained in any report we may publish are approximate and if measured by us will be within a 3% tolerance either way. In cases where the configuration of the floor plate is unusually irregular or is obstructed, this tolerance may be exceeded.

6.2. We will not be able to measure areas that we are unable to access. In these cases we may estimate floor areas from plans or by extrapolation. Where we are required to measure land or site areas, the areas will be approximate and will be measured from plans supplied. They will not be physically checked on site.

6.3. The areas we report will be appropriate for the valuation purpose, but should not be relied upon for any other purpose.

7. PLANNING AND STATUTORY REGULATIONS

7.1. Unless specifically instructed in writing to make formal searches with local planning authorities, we shall rely in the provision of our Services on the information provided informally by the local planning authority or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.

7.2. We may consider the possibility of alternative uses being permitted. Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulations existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.

8. VALUATION EXCLUSIONS

- 8.1. We will not inspect title deeds and we will therefore rely on the information supplied as being correct and complete. In the absence of information to the contrary, we will assume the absence of unusually onerous restrictions, covenants or other encumbrances and that the property has a good and marketable title. Where supplied with legal documentation, we will consider it but we will not take responsibility for the legal interpretation of it.
 - 8.2. We will take into account any information that you provide concerning any tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, we will assume that the property was let with all alterations and improvements evident during our inspection (or, in the case of valuation without inspection, as described within the information that you provide).
 - 8.3. Our valuation will take into account potential purchasers' likely opinion of the financial strength of tenants. However, we will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you, we will assume that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.
 - 8.4. Any plans we provide to you indicating the site of a property are for identification only. We will rely on our inspection and information that you provide in outlining the extent of each property, but you should not rely upon our plans to define boundaries.
 - 8.5. Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected comparable properties.
 - 8.6. For a recently completed development property, we will not take account of any retentions or outstanding development costs. For a property in the course of development, we will reflect your advice on the stage of construction, the costs already incurred and those still to be spent at the date of valuation, and will have regard to any contractual liabilities.
 - 8.7. We will not make any allowance in our Services for the existence of any mortgage or other financial encumbrance on or over the property nor take account of any leases between subsidiaries.
 - 8.8. Any valuation figures provided will be exclusive of VAT whether or not the building has been elected.
 - 8.9. We will not make any allowance in any valuation advice provided for the expenses of realisation or any taxation liability arising from the sale or development of the property.
 - 8.10. Unless we have said otherwise in the Agreement, each property will be valued individually; in the case of a portfolio, we will assume that the properties would be marketed in an orderly way and not placed on the market at the same time.
 - 8.11. The components of our valuation calculations (such as future rental values, cost allowances, or void periods) may only be appropriate as part of the valuation calculation. They should not be taken as a forecast or prediction of a future outcome. You should not rely on any component of the valuation calculation for any other purpose.
 - 8.12. We will value in the local currency. If we are to report to you in another currency, unless we have agreed otherwise we will adopt a conversion rate equivalent to the closing rate ("spot rate") on the date of valuation.
 - 8.13. Our valuation does not make allowance either for the cost of transferring sale proceeds to another state, or for any restrictions on doing so.
 - 8.14. In instances where we are instructed to provide an indication of current reinstatement costs for insurance purposes, this will be given solely as a guide without warranty. Formal estimates for insurance purposes can only be given by a building surveyor or other person with sufficient current experience of replacement costs. The property will not be inspected by a building surveyor or qualified building cost estimator and the guide will be based on costs obtained from generic building cost tables. You should not rely on it as the basis for insurance cover.
9. REGULATED PURPOSE VALUATIONS AND MONITORING
- 9.1. In circumstances where a valuation, although provided for a client, may also be of use to third parties, for instance the shareholders in a company (otherwise defined as a "Regulated Purpose Valuation" in the Red Book), we are required to state our policy on the rotation of the surveyor who prepares the valuation and the quality control procedures that are in place.

- 9.2. Irrespective of the purpose of the valuation, we will select the most appropriate surveyor for the valuation having regard to his/her expertise and the possible perception that independence and objectivity could be compromised where a valuer has held the responsibility for a particular client for a number of years. This may result in us rotating the surveyor responsible for repeat valuations for the same client although we will not do so without prior discussion with the client.
- 9.3. For all Regulated Purpose Valuations we are required by the Red Book to state all of the following in our report:
- (i) the length of time the valuer continuously has been the signatory to valuations provided to you for the same purpose as the report, together with the length of time we have continuously been carrying out that valuation instruction for you;
 - (ii) the extent and duration of the relationship between you and us;
 - (iii) in relation to our preceding financial year the proportion of the total fees, if any, payable by you to our total fee income expressed as one of the following:
 - less than 5%; or
 - if more than 5%, an indication of the proportion within a range of 5 percentage points;
 - (iv) where, since the end of the last financial year, it is anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, we shall include a further statement to that effect in addition to (iii) above.
- 9.4. The valuation may be subject to monitoring under the RICS's conduct and disciplinary regulations.