

Valuation Policy – Shakespeare Haney Securities Limited

Date adopted: 28 October 2022

This document sets out the Valuation Policy adopted by Shakespeare Haney Securities Limited ACN 087 435 783 (**SHSL**) for the Waratah Select Mortgage Fund ARSN 089 601 052 and the Sydney Development Fund ARSN 159 243 820 (each a **Fund**).

1. Valuation Requirements

- a. A Valuation Report no older than 6 months as at the date of loan consideration must be obtained from a Panel Valuer for each property offered as security. Valuation Reports will be required to be updated at the Borrower's expense if they become "out of date" prior to settlement. All Valuation Reports are to be personally signed off by the individual Valuer and a Director of their company.
- b. In valuing a property, the Valuer must consider:
 - i. a willing but not anxious buyer or seller;
 - ii. a reasonable period has been allowed for the sale, taking into consideration the nature of the property and the nature of the market for properties of that kind;
 - iii. the property was reasonably advertised to the market;
 - iv. that no account is taken of any higher price that may be paid by a person with a special interest in the property; and
 - v. that reasonable resources are available to negotiate the sale and marketing of the property.
- c. A Valuation Report must provide for the following:
 - i. Gross realisation of the completed project (if applicable) exclusive of GST.
 - ii. Market Value of the land exc GST
 - iii. That the report can be relied upon for mortgage security purposes.
 - iv. That the Valuer have no conflict of interest with either SHSL or the property.
 - v. That the valuation complies with all relevant industry standards and codes.
- d. If the SHSL directors form the view that the valuation of a security property no longer reflects the current underlying value of the secured property the directors may request that an updated Valuation Report be obtained at any stage during the term of the loan. If a decrease in the value of the security property may have caused a material breach of a loan covenant, then SHSL will within two months obtain an updated valuation of the security property.
- e. SHSL may attach Special Conditions to the loan as a result of the Valuation Report.
- f. Each Valuation Report must meet the following criteria:
 - i. A qualified/registered/licensed Valuer in the particular State or Territory must complete the valuation. SHSL requires the Valuation Report to be personally signed off by the individual Valuer and a Director of the company.
 - ii. The valuation must be addressed to SHSL.
 - iii. The valuation must comply with the SHSL Valuation Guidelines and Report Content Requirements (as set out in the Appendix).
 - iv. The Valuation Report must specify the basis of the valuation. For the majority, the 'current market value, for mortgage security purposes' (as is) of the property is the valuation basis. In the case of construction and development lending the 'as if complete' valuation is also obtained.

- v. The valuation must address all the matters raised in SHSL's instructions and must generally include recent internal and external photographs. If the valuation notes essential repairs, satisfactory arrangements will need to be agreed upon to ensure these are undertaken. The valuation in such circumstances must be on an "as is" basis.
- vi. Any inconsistency or discrepancy in the Valuation Report must be explained by the Valuer.
- vii. The valuation must build to a logical conclusion of value and include any assumptions used to determine the value.

2. Additional valuation requirements – residential homes and units

- a. Where properties are residential homes or units, the current market value is the estimated amount which the property should achieve after proper marketing. The Valuer will generally provide details of what is considered to be a reasonable marketing period.

3. Additional valuation requirements – commercial and industrial properties

- a. In ascertaining the current market value for commercial and industrial properties, consideration is given to the existence of arms length leasing agreements, letting-up periods, vacancy factors and outgoings. In most instances, the Valuer will utilise a capitalisation rate to obtain this value.

4. Additional valuation requirements – construction or development loans

- a. Where the loan is for construction or development, funds will be advanced progressively on a cost to completion basis as certified by our quantity surveyor or other appropriately qualified professional.

5. Review of Valuation Report by SHSL

- a. The SHSL directors must read each Valuation Report prepared by the Valuer they have instructed and consider how the comparable sales referred to in the report sit with the market value disclosed in that report.
- b. The Valuation Report must be assessed by SHSL in detail for completeness, accuracy and for any adverse features, which prudent lending would suggest that a lower LVR should apply, and the SHSL directors will also have regard to the following in their assessment:
 - i. a consideration of strengths and weaknesses of the property market and of the market commentary disclosed in the report is undertaken;
 - ii. the directors applying their knowledge and experience gained from analysing property market reviews issued by valuation firms and property research as to likely trends in the market to which the valued property relates; and
 - iii. in most cases, a physical inspection of the property by a representative of SHSL.

6. Valuation review and updated valuations

- a. The value of a security property is reviewed by SHSL annually. SHSL may obtain an updated valuation or agent appraisal (an appraisal will be suitable where, in the opinion of SHSL, the value of the security property has not decreased since the last formal valuation).
- b. Where the SHSL directors form a view that there has been a decrease in the value of the secured property or some market volatility within which a security property sits that may have caused a material breach of a loan covenant then the directors will cause a revaluation to be undertaken within two months of having formed that view.
- c. If the SHSL directors form the view that the valuation of a security property no longer reflects the current underlying value of the secured property the directors may request that an updated Valuation Report be obtained at any stage during the term of the loan and will do so within two months of having formed that view.

7. Role of Panel Valuer

- a. The role of the Panel Valuer is to provide SHSL with a written independent opinion of the value of the subject property as at a specified date.
- b. The valuation report provided is based on the nature and/or form of instructions given to the Panel Valuer.

8. Appointment of Panel Valuer

- a. SHSL has sole right to appoint, retain or dismiss a Panel Valuer who, as a minimum, must:
 - i. be qualified / registered / licensed as a Valuer (not a trainee or cadet) in the State where the subject property is located. In States where there is no registration, the Valuer should be a member of the Australian Property Institute; and
 - ii. have Professional Indemnity insurance of not less than \$10m or such other amount as SHSL considers appropriate.

9. Form of Instructions to Panel Valuers

- a. All instructions to Panel Valuers must be issued in writing by a director on SHSL's letterhead in the applicable format.
- b. Panel Valuers must not be instructed prior to the loan applicant paying the Valuation Fee to SHSL. The only exceptions are where a director authorises the valuation request.

10. Disclosure of Information to Panel Valuer

- a. SHSL is to disclose to the Valuer any and all information on security properties of which it is aware, if that information could affect either the marketability of the properties or the estimate of market value.

11. Sales Contract

- a. Upon the request of the Valuer, SHSL must provide the Valuer with a copy of the complete and signed sales contract for the property that is to be valued.

12. Additional Information

- a. Additional information that must be disclosed to the Valuer includes:
 - i. Acknowledgement of the actual purchase price (where the property is being acquired) and the relativity of that price to the market value;
 - ii. discounts to the sale price;
 - iii. interest rate buy-downs or other below-market-rate financing;
 - iv. credits or refunds of the borrower's expenses;
 - v. absorption of monthly payments by vendor;
 - vi. non-realty items included in the transaction (e.g. chattels); and
 - vii. any agreement to lease or assign that in any manner affects the rights of occupancy.

13. Known or Notified Restrictions

- a. If there are any notified restrictions on any mortgaged property as at the date of settlement they must be noted by the Panel Valuer in the valuation as not having a material effect on the valuation.

14. Environmental Hazards

- a. SHSL must also disclose to the Valuer information about any environmental hazard in or on the subject property, or in the vicinity of the subject property, when that information is obtained either from the loan applicant, real estate agent, broker or any other party to the transaction or is otherwise known to SHSL. The Valuer must then consider any influence the hazard may have on the property's value and marketability.
- b. A proposed loan must be referred to the directors/Management Committee where there is any environmental defect in respect of a security property.

Appendix: Valuation Guidelines and Report Content Requirements.

INFORMATION REQUIRED TO BE INCLUDED IN THE VALUATION REPORT

1. Date of inspection.
2. Description of any current improvements and condition.
3. Suitability of property for mortgage security purposes.
4. Zoning and easement details.
5. Availability of services.
6. Methods of valuation utilised.
7. Highest and best use of the property.
8. Copy of the title search(s) for the allotment(s) comprising the property and confirmation that the property has been positively identified from the title search(s) (not required for short form valuation reports).
9. Photograph of the property (not required for short form valuation reports).
10. Market commentary with regard to the following:- a willing but not anxious buyer or seller; a reasonable period has been allowed for the sale, having regard to the nature of the property and the nature of the market for properties of that kind; the property was reasonably exposed to the market; that no account is taken of any higher price that may be paid by a person with a special interest in the property; and it will be assumed that reasonable resources are available to negotiate the sale and expose the property.
11. Comment on any heritage listing affecting the property under any heritage protection legislation.
12. Comment on any vegetation protection ordinances affecting the property.
13. Comment on the likelihood of surface or subsurface soil contamination including toxic or hazardous wastes or by products, instability or material hazards which may be detrimental to the property.
14. Specific comment should be made to in relation to any adjacent properties or proximity to any industries and land types that may be hazardous.

In respect of items 11-13 the report may include the following statements "*to the best of our knowledge, we are not aware of any environmental, heritage, contaminated land or vegetation protection issues, listings, or Local/State/Federal Government regulations dealing with such issues which affect the property*".

15. A copy of the instruction letter is to be annexed to the report.

ADDITIONAL INFORMATION FOR CONSTRUCTION/DEVELOPMENT VALUATION REPORTS

16. Comment on the proposed sales rate.
17. Feasibility for the proposed development.
18. Comment on the contract for costs of the proposed development.
19. Report to include a full copy of the Development Approval and Building Approval or details of both if copies are not available.
20. Comment on the design of the proposed development ie. compatibility with surroundings, building efficiency, functionality.