SHARE VALUATIONS

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountants and advisors with regard to share valuations work and to clarify our respective responsibilities in respect of that work.

1 Your responsibilities

1.1 For the company named ('the company'), you have agreed to make available to us, as and when required, all the company's accounting records and related financial information necessary to carry out our work. You will make full disclosure to us of all relevant information. You recognise that a failure to do so could have an impact on the price or the speed of our work.

2 Our responsibilities

2.1 You have instructed us to value a holding of shares and understand that the valuation is to be used for the purpose as stated therein. The shares are to be valued at open market value, i.e., the amount at which the interest in the company is considered likely to be exchanged between a willing buyer and a willing seller, both parties being informed of the relevant facts, unless an alternative basis is to be used.

2.2 We will use one or more of the following methods which are most relevant to the nature of your holding to value your shares:

(a) ***Price : earnings ratio***

This is the most frequently used method of valuing a controlling interest in an entity and the use of this method has generally been well supported by the courts. We will use the price : earnings ratio to assess a value which represents the number of years' earnings (assuming a constant level of profitability) it would take the shares to earn an amount equal in money terms to their current price. We will therefore assess:

- future maintainable earnings; and
- an appropriate rate of capitalisation, or price : earnings ratio. This will be determined by reviewing in detail the results of comparable companies in a relevant sector of the quoted securities market.

(b) ***Discounted future earnings***

There is a generally accepted theory that the value of a business is represented by the likely future maintainable earnings of the business discounted to present day values having regard to the risks surrounding those future earnings and their timing. Valuing the business in this manner aims to take account of the risk-averse preference for money now rather than possibly more money later and of the risks inherent in the business. Again, this is suitable for the valuation of a controlling shareholding.

This approach will mean assessing:

- the likely maintainable earnings of the company in the light of management's strategic plans and objectives;
- likely developments in the sector, including competition and level of demand;
- future economic conditions; and
- the ability of management to adapt and exploit new opportunities.

(c) ***Dividend yield***

As the holding concerned does not constitute a controlling interest, we will use a method which recognises that the main value of a minority shareholding is generally restricted to the right to receive dividends. We will use a reasonable dividend yield based on the yield from a

comparable listed investment, with a discount for the fact that there are restrictions on the transferability of such shares and the absence of a ready market for the shares. This dividend yield will then be used to compute a capital value for the shares, which will represent the present value of the expected future dividend stream further discounted to reflect the illiquid nature of the investment.

(d) ***Other special purpose valuations***

If relevant.

2.3 As part of our valuation procedures, we will:

(a) review the company's results for the last three years and comment on trends and other factors underlying the results which appear to be significant, identifying any points considered to be critical to the performance of the business;

(b) review the cash flow projections and profit forecasts of the period stated and comment on any significant factors arising;

(c) assess the sensitivity of the cash flow projections and profit forecasts to risks arising from uncertain future events and the underlying assumptions;

(d) consider whether accounting policies:

(i) comply with accepted accounting principles and company law requirements;

(ii) have been consistently applied during the period under review;

(iii) are appropriate to the business;

(iv) affect the valuations presented in our report. This will include adjusting for policies which are unsound, misleading or inapplicable to the company's circumstances;

(e) ascertain and evaluate the management's strategic plans for future development of the business; and

(f) assess the adequacy of the accounting systems (including internal controls) and the quality and reliability of the financial information produced.

2.4 We will produce a report summarising our findings together with a brief commentary on the nature of the business, its historical development, and a description of its management and organisational structure. Any such report may not be provided to third parties without our prior written consent. Such consent will only be granted on the basis that such reports are not prepared with the interests of anyone other than the company in mind and that we accept no duty or responsibility to any other party as concerns the reports.

2.5 Our report is prepared solely for the confidential use of yourselves and, if relevant, the third party named, and solely for the purpose stated. It may not be relied upon by yourselves or, if relevant, the third party for any other purpose whatsoever. Our report must not be recited or referred to in whole or in part in any other document. Our report must not be made available, copied or recited to any other party without our express written permission. We, your accountants, neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on our report.