

Insurance Valuation

Auckland Anglican Insurance Fund

Anglican Trust Board Services Limited
C/- Trust Management
PO Box 37448
Parnell, Auckland 1151
Attention: Shane Coward

March 2013

16425/LH

27 March 2013

Anglican Trust Board Services Limited
C/- Trust Management
PO Box 37448
Parnell
AUCKLAND 1151

Attn: Shane Coward

Dear Shane

16425/LH

REINSTATEMENT COST INSURANCE VALUATION REPORT AUCKLAND ANGLICAN INSURANCE FUND

Further to your instructions we confirm that we have now completed insurance valuations for all identified properties within the Trust and Parish property portfolios held under management of Trust Investments Management Limited ("TIML") and associated with the Anglican Diocese of Auckland and associated Parishes.

In accordance with your instructions we have:

- Reviewed the Valuation of Buildings for Insurance Purposes effective as at March 2013 for the Trust and Parish property portfolios.
- Undertaken appropriate inspections of all buildings associated with the new properties added to the portfolios as advised by TIML in 2012/2013.
- Undertaken appropriate re-inspections of all properties as identified by TIML and those identified by Colliers International and approved by TIML for the March 2013 update, to ensure at least 20% of the portfolio has been reinspected this year (based on reinstatement value).
- Established independent values of the various buildings identified within the schedules for insurance purposes.
- Provided separate reports and schedules for:
 1. Properties managed by the Parish
 2. Properties managed by the Trust
 3. Properties identified by TIML which are required to be assessed on a functional replacement basis.

Having completed the necessary property investigations, market research and analysis we now have pleasure in providing you with the attached Insurance Reports and Schedules setting out our Valuation of Buildings for Insurance Purposes effective as at March 2013.

All the appendices referred to within this report form part of our assessment and need to be considered accordingly.

For your advice concerning the Reports and Schedules as now provided, we ask you to note and if necessary discuss with your insurer the following points.

1. In the case of all Parish and Trust properties (excluding properties assessed subject to functional replacement) the individual estimated reinstatement cost assessments have been carried out or include the following:
 - a. Individual assessments have been completed for all stand alone structures and where structures of differing age or use are intrinsically linked, the values are stated for the whole building.
 - b. Site improvements associated with a reasonable curtilage around each building.
 - c. The building structure and immediately adjoining services. Excluded is any below ground infrastructure exceeding 20 metres from the building(s) and any extraordinary infrastructure. We recommend the insured party should insure these improvements separately.
 - d. All internal fixtures which cannot be readily removed which are integrated into the building fabric. We have not attributed any value to organ or organ pipes and the like or any plant, for example cremators, and would recommend specialist professional advice on the valuation of these. The assessments do not include any chattels or removable fittings which would normally be assessed under an alternative contents insurance policy.
 - e. The estimated cost of reinstating the assets is on the basis of full reconstruction using modern day building materials and construction techniques, assuming the existing building has been completely destroyed/demolished. Declared values or sums are determined on the basis of a single loss and not in the context of a widespread catastrophe or national disaster, which may result in higher than expected inflationary and time pressures. In addition, the availability of materials may be affected.
 - f. We note that historic buildings within the portfolios may be subject to substantial, but not complete destruction by fire or other event or may be subject to a Historic Places Trust, or similar classification. Accordingly this may require replacement of the whole or a large portion of the building in a manner which is consistent with its original construction including materials and building techniques.

As a result, costs of rebuilding a partially damaged building or one subject to Historic Places Trust requirements may in many cases be substantially more than the costs of completely rebuilding using modern equivalent materials and techniques.

Our assessments do not reflect the costs of reinstating the buildings in sympathy with their possible "heritage" appearance in the event of partial loss and assume total destruction. We are not experts in assessing replacement costs for heritage structures and recommend advice is sought from a quantity surveyor or other qualified expert in this respect.
 - g. We note some of the churches have stained glass windows. We are not experts in assessing the cost of stained glass windows, however we have made enquiries to familiarise ourselves with the costs involved in replacing a basic stained glass window and have reflected this in our estimated values. Where a church features a substantial amount of, or intricate stained glass, we recommend expert advice is sought on the valuation of this for insurance purposes.

We recommend you seek clarification on these issues with your insurer, the Historic Places Trust and the relevant local authority.
 - h. Specifically we note we were unable to inspect the buildings located at 111 Parapara–Toatoa Road and have relied on photos and notes from an inspection in 2006. We have assumed that these records are accurate and that there have been no changes to the property since this time.

2. Estimated functional replacement values have been assessed for buildings specifically identified by Trust Investments Management Limited.

Functional replacement is insurance cover which is designed to allow for the replacement of expensive and / or obsolete items with less expensive, more modern equivalent materials and techniques. In some cases this may result in buildings of substantially smaller size replacing largely obsolete improvements due to changing operational requirements.

In order to assess functional replacement for the identified properties we have relied upon the alternative modern concept design plans or floor areas provided by Trust Investments Management Limited.

Where estimated functional replacement values are supplied no indemnity is supplied.

3. The estimated reinstatement cost figures contained in the attached reports and schedules do not include any allowance for interest on bridging finance during the course of reinstatement or reconstruction. In order to avoid the necessity to arrange for substantial bridging finance, we recommend that the insurance policy allows for reinstatement moneys to be made available by way of progress payments during the course of reconstruction.
4. We have made no allowance in our inflationary provision for the possibility that resource management and building applications could unduly affect the completion of a replacement structure. Accordingly, we recommend that the policy allows for reinstatement on an approved alternative site. We have made no allowance for the extra cost which could be involved in acquiring an alternative site.
5. The estimated indemnity value figure shown for the building has been calculated using the present estimated reinstatement cost after allowing for estimated normal physical depreciation. The resultant "indemnity value" may bear no relationship to the market value of the building or the true insurable "indemnity value" as that term has been defined in several court decisions.

As insurable indemnity value is prepared by reference to market factors (ie the market value of the property, less the underlying land value), requiring reference to the entire property, we require separate instruction from you to undertake such assessments, which we have not received.

6. In many cases buildings are of an historic nature, some dating back to the mid 1800s. In all cases we have adopted effective depreciation rates which reflect ongoing levels of maintenance of a generally high standard. Accordingly buildings that are well in excess of 100 years old may be expected to remain functional for a further 100 years or more.
7. The expected remaining physical life of an asset is assessed on the basis that normal ongoing maintenance is carried out to preserve the existing use.
8. No stabilisation costs are allowed for in our reinstatement estimate.
9. Our demolition estimate does not allow for any archaeological works.
10. We have requested seismic information and been provided with a simplistic schedule relating to a small proportion of the buildings in the portfolio (circa 28), of these one building has a rating of less than 33% NBS. Negligan House at 12 St Stephens Avenue has been rated at 21% NBS, we have not been provided with any upgrade costs for this structure. We note that our reinstatement values are on the basis of latest building code requirements however our indemnity values do not reflect or differentiate the existing levels of seismic risk for each individual asset.
11. The reinstatement costs are based on the normal approach of a tendered contract to a Building Contractor with additionally, the provisions of Architects, Engineers and Quantity Surveyors Professional Fees as applicable.
12. As Earthquake and War Damage Commission cover has now been totally phased out for all commercial property, we recommend you discuss with your insurer your specific needs in respect of independent Earthquake and War Damage cover.
13. All values contained within our Insurance Schedules are exclusive of any allowance for Goods and Services Taxation which would normally apply in any reconstruction programme.

We understand that although GST is payable on building works, many building owners will be "registered persons" and will be able to recover the GST component.

The above position will not apply to all building owners and we therefore recommend that you discuss with your accountant and your insurance company whether you are able to recover the GST component on replacing the existing structure should destruction or damage occur.

14. Inspections of the required properties were carried out in March 2013. We have assumed that each property is in the same condition on the valuation date as the inspection date.
15. As requested by Trust Investments; for those properties inspected between 2011 and 2013 we have provided generic construction categories in the summary spreadsheets attached. We note that these are a guide only and in many instances a building is constructed of various materials, we have therefore identified the principal construction materials only. Where a building is identified as being of brick, stone or concrete construction we point out that we are not qualified to identify whether the structure is reinforced. Buildings of this construction type may require further investigation in terms of reinforcing, particularly those constructed prior to 1950. In terms of fire detection / protection, where obvious we have identified the type provided, however we have not verified that these are in full working order.
16. We have not undertaken a geotechnical survey of the properties, and therefore cannot comment as to the subsoil condition of the land. This report does not constitute an environmental audit we have therefore assumed all land to be stable and uncontaminated unless otherwise stated.
17. Colliers International has a Quality Management System (QMS) which sets out specific procedures to be carried out in the valuation process to ensure each valuation is completed to a high standard.
18. This valuation and all valuation services are provided by us solely for the use of our client. We do not assume any responsibility to any person other than the client for any reason whatsoever by reason of or arising out of the provision of this valuation.
19. We have not sighted the actual insurance policy pertaining to these properties.

In accordance with your instructions, these reports have been prepared in order to supply figures for reinstatement cost and indemnity insurance purposes only and relate to the existing improvements situated at the various sites identified within schedules provided to us. No responsibility is accepted in the event of these figures being used for any other purpose.

We refer you to the attached schedules and comments on the reports below which should be discussed with your insurer in regard to any reinstatement cost insurance cover you seek for these properties.

Compliance Statement

This valuation has been performed in accordance with the International Valuation Standards (IVS) and we confirm that;

The statements of fact presented in this report are correct to the best of the Valuer(s) knowledge;

- The analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer(s) have no interest in the subject property;
- The Valuer(s) fee is not contingent upon any aspect of this report;
- The valuation has been performed in accordance with an ethical code and performance standards;
- The Valuer(s) has satisfied professional education requirements;
- The Valuer(s) has experience in the location and category of the property being valued;
- The Valuer(s) has made a personal inspection of the property and
- No one, except those specified in the report has provided professional assistance in preparing the report

We trust that this report is suitable for current purposes. If you have any further questions, please contact the writer directly.

Thank you for your instruction and should you have any queries please do not hesitate to contact the writer directly.

Yours faithfully
COLLIERS INTERNATIONAL NEW ZEALAND LIMITED

LIANNE HARRISON BBS (VPM), ANZIV, MPINZ
Registered Valuer
Associate Director | Valuation & Advisory Services

NICKY WATTS BPROP
Registered Valuer

KANE SWEETMAN BA, BPROP, MPINZ, FRICS
Registered Valuer
National Director | Valuation & Advisory Services

Inspection of Properties:	Lianne Harrison, Nicky Watts, Darren Park, Chris Bennett, Anthony Long
Valuation Calculations:	Lianne Harrison, Nicky Watts, Darren Park, Chris Bennett
Authoring of report:	Lianne Harrison
Director Supervision:	Kane Sweetman and Mark Parlane

This report has been checked by Nicky Watts. The purpose of the report check is for the correction of grammatical and basic arithmetic errors only. The person who has checked this report does not necessarily carry any responsibility in relation to the method of valuation adopted or final figures adopted within this report.

Contact Details: **Colliers International NZ Ltd**
 Level 27, 151 Queen Street
 PO Box 1631, Shortland Street
 Auckland 1140
 Phone No. 358 1888

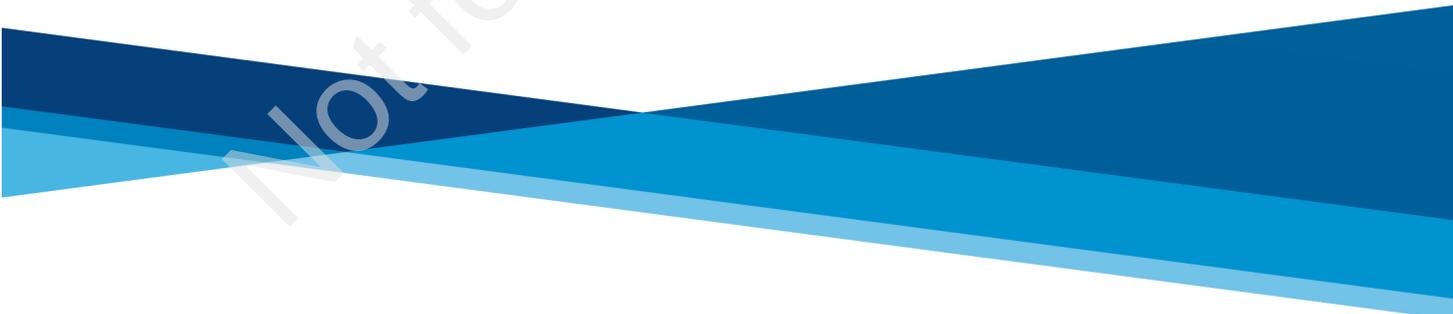
Appendices

1. Statement of Valuation Conditions
2. Parish Properties
3. Trust Properties
4. Key
5. Functional Replacement Properties
6. Definition of Insurance Valuation Terms

APPENDIX 1

Statement of Valuation Conditions

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Our valuation is subject to the Colliers International Statement of Valuation Qualifications and Conditions as follows:

1. In accordance with PINZ Guidance Notes, all non-residential valuations are on the basis of **plus GST (if any)**. Valuations of residential property are stated as **including GST (if any)**.
2. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate sources.
3. We have been engaged to provide a valuation only and while due care was taken to note obvious building defects in the course of our inspection, we have not been engaged for any purpose other than the valuation and we are not able to advise on matters such as structural or site surveys or any other defects in the building.
4. In preparing the valuation it has been assumed that all lifts, hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences in the building are in proper working order and functioning for the purposes of Government regulations and codes. We will not include in our valuation those fixtures and fittings owned and able to be removed by the tenant(s).
5. Where applicable, our valuation includes those items which form part of the building including special wall and floor finishes, toilet amenities, integrated heating and ventilation equipment, external lighting and all site works including landscaping.
6. In preparing the valuation and/or providing valuation services, it has been assumed that a full and frank disclosure of all relevant information has been made.
7. We do not hold ourselves out to be experts in environmental contamination. Our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.
8. This valuation and all valuation services are provided by us solely for the use of our client. We do not assume any responsibility to any person other than the client for any reason whatsoever by reason of or arising out of the provision of this valuation.
9. **Confidentiality and Disclaimer of Liability**
Our valuation and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility whatever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.
10. Neither the whole nor any part of this valuation and/or report or any reference to it may be included in any published document, circular, or statement without our written approval.
11. All valuations are carried out in accordance with the Valuation Standards and Guidance Notes recommended by the Property Institute of New Zealand.

12. Please note that personnel in this firm will or may have stocks, shares or other interests in entities that directly or indirectly hold properties which are the subject of this valuation and/or may have direct or indirect personal relationships with third parties with interests in these same entities. Colliers' valuers are required to abide by an industry standard disclosure regime and Colliers internal policies with respect to conflicts of interest, and will disclose any material conflict of interest that arises in its capacity as valuer concerning the property which is the subject of this valuation.

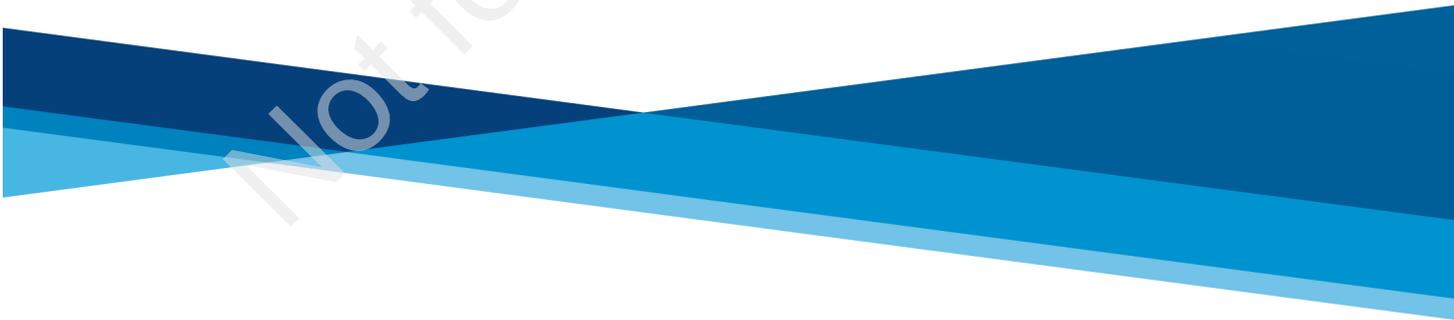
13. **Valuation Basis**
Unless otherwise stated no allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued.

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APPENDIX 2

Parish Properties

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VALUATION FOR INSURANCE PURPOSES

Note: All figures exclusive of GST

PARISH PROPERTIES

Name of Client:	ANGLICAN DIOCESE OF AUCKLAND AND RELATED ENTITIES		
Address of Asset:	Various – Refer to Schedule		
Asset Description:	Various – Refer to Schedule		
Upgrade Requirements:	N/A		
Use/Occupation:	Refer to Schedule		
Age:	Refer to Schedule	Subsoil Type:	Unknown
Other Known Characteristics:	Refer to Schedule	Land Contour:	Various - Refer to Schedule

1.0 REINSTATEMENT

A. Reinstatement Estimate	Refer to Schedule
Note (i) As far as we are aware the building may be replaced including similar materials and services as existing, using modern day equivalents. We are not aware of any non-compliance arising from requirements of the Building Act 2004 however we have not sighted a building report.	
Note (ii) By what amounts do the considerations referred to in Note (i) increase the Reinstatement Cost?	N/A
Note (iii) Are there any regulations preventing reinstatement wholly or in part? If so give brief details: Subject at all times to compliance with local body building bylaws and resource management controls.	N/A
B. Inflationary Provision	Refer to Schedule

2.0 INDEMNIFICATION

A. Market Related Value	N/A
B. Depreciated Reinstatement Cost Estimate	Refer to Schedule
C. Inflationary Provision (for the higher of "A" or "B" above during a 12 month insurance period if appropriate)	Refer to Schedule

3.0 FUNCTIONAL REPLACEMENT

(Refer to the attached report/letter for the specification of the functional design)

A. Functional Replacement Cost Estimate	N/A
B. Inflationary Provision	N/A

4.0 DEMOLITION ESTIMATE

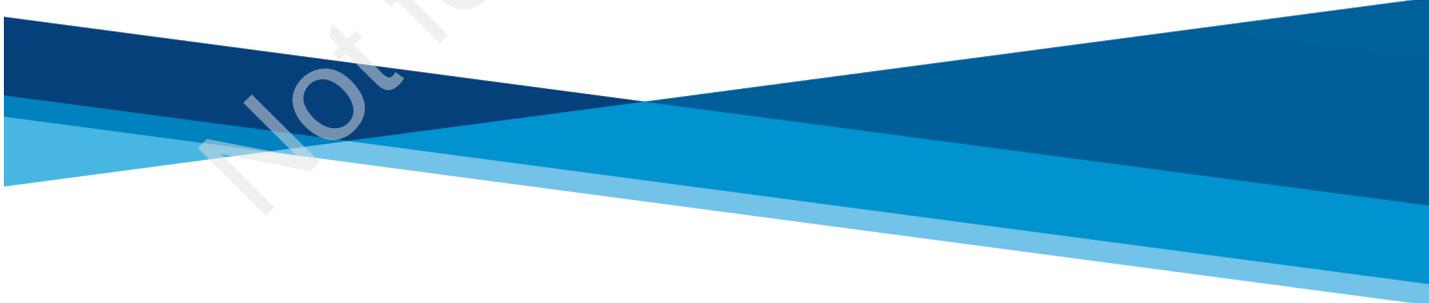
Refer to Schedule

VALUATION DATE: March 2013

1. All figures quoted are exclusive of Goods & Services Tax, Finance costs and other indirect costs.
2. All figures are exclusive of any allowance for land value.
3. This form must be read in conjunction with the definitions of terms contained within this valuation report.
4. The information in this report has been prepared to establish insurance values and may not be used for other purposes without the written consent of the Valuer.
5. All figures assume compliance with building regulations and bylaws.

APPENDIX 3
Trust Properties

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VALUATION FOR INSURANCE PURPOSES

Note: All figures exclusive of GST

TRUST PROPERTIES

Name of Client:	ANGLICAN DIOCESE OF AUCKLAND AND RELATED ENTITIES		
Address of Asset:	Various – Refer to Schedule		
Asset Description:	Various – Refer to Schedule		
Upgrade Requirements:	N/A		
Use/Occupation:	Refer to Schedule		
Age:	Refer to Schedule	Subsoil Type:	Unknown
Other Known Characteristics:	Refer to Schedule	Land Contour:	Various - Refer to Schedule

1.0 REINSTATEMENT

A.	Reinstatement Estimate	Refer to Schedule
Note (i)	As far as we are aware the building may be replaced including similar materials and services as existing, using modern day equivalents. We are not aware of any non-compliance arising from requirements of the Building Act 2004 however we have not sighted a building report.	
Note (ii)	By what amounts do the considerations referred to in Note (i) increase the Reinstatement Cost?	N/A
Note (iii)	Are there any regulations preventing reinstatement wholly or in part? If so give brief details: Subject at all times to compliance with local body building bylaws and resource management controls.	N/A
B.	Inflationary Provision	Refer to Schedule

2.0 INDEMNIFICATION

A.	Market Related Value	N/A
B.	Depreciated Reinstatement Cost Estimate	Refer to Schedule
C.	Inflationary Provision (for the higher of "A" or "B" above during a 12 month insurance period if appropriate)	Refer to Schedule

3.0 FUNCTIONAL REPLACEMENT

(Refer to the attached report/letter for the specification of the functional design)

A.	Functional Replacement Cost Estimate	N/A
B.	Inflationary Provision	N/A

4.0 DEMOLITION ESTIMATE

Refer to Schedule

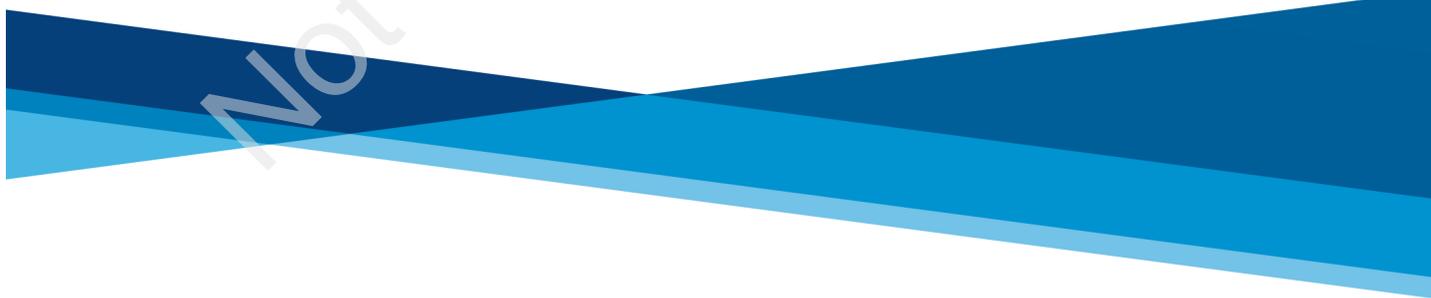
VALUATION DATE: March 2013

1.	All figures quoted are exclusive of Goods & Services Tax, Finance costs and other indirect costs.
2.	All figures are exclusive of any allowance for land value.
3.	This form must be read in conjunction with the definitions of terms contained within this valuation report.
4.	The information in this report has been prepared to establish insurance values and may not be used for other purposes without the written consent of the Valuer.
5.	All figures assume compliance with building regulations and bylaws.

APPENDIX 4

Key

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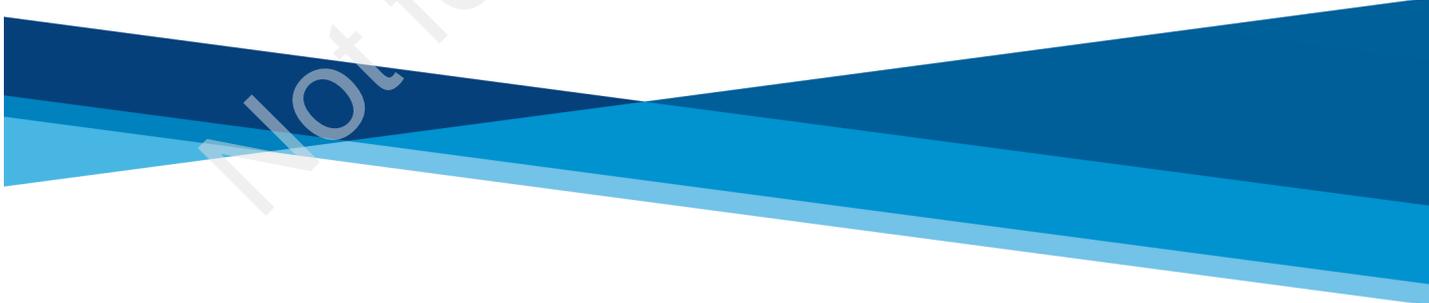
Walls - Primary Material	Walls - Secondary Material	Floors	Foundations	Roof	Intruder Alarm	Smoke Detection	Sprinklers	Manual Fire Alarm	Fire Extinguisher	Fire Reel	Contour
A - Timber Frame / Weatherboard	A - Timber Frame / Weatherboard	A - Concrete	A - Piles	A - Slate	A - None	A - None	A - Yes	A - Yes	A - Yes	A - Yes	A - Level
B - Timber Frame / Brick Veneer	B - Timber Frame / Brick Veneer	B - Timber	B - Concrete Slab	B - Clay Tiles	B - Monitored	B - Unmonitored	B - No	B - No	B - No	B - No	B - Gentle
C - Timber Frame / Composite	C - Timber Frame / Composite	C - Not Applicable	C - Timber Posts on Concrete Footings	C - Concrete Tiles	C - Unmonitored	C - Monitored to Security Firm	C - Unknown	C - Unknown	C - Unknown	C - Unknown	C - Easy
D - Steel Frame	D - Steel Frame		D - Timber Posts on Brick Footings	D - Sheet Metal	D - Unknown	D - Monitored to NZ Fire Service					D - Medium
E - Concrete Block	E - Concrete Block		E - Not Applicable	E - Asbestos		E - Smoke / Heat Detection					E - Steep
F - Precast Concrete	F - Precast Concrete			F - Not Applicable		F - Unknown					
G - Brick	G - Brick										
H - Not Applicable	H - Not Applicable										

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APPENDIX 5

Functional Replacement Properties

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VALUATION FOR INSURANCE PURPOSES

Note: All figures exclusive of GST

FUNCTIONAL REPLACEMENT PROPERTIES

Name of Client:	ANGLICAN DIOCESE OF AUCKLAND AND RELATED ENTITIES		
Address of Asset:	Various – Refer to Schedule		
Asset Description:	Various – Refer to Schedule		
Upgrade Requirements:	N/A		
Use/Occupation:	Refer to Schedule		
Age:	N/A	Subsoil Type:	Unknown
Other Known Characteristics:	Refer to Schedule	Land Contour:	Various - Refer to Schedule

1.0 REINSTATEMENT

A. Reinstatement Estimate		N/A
Note (i)	As far as we are aware the building may be replaced including similar materials and services as existing, using modern day equivalents. We are not aware of any non-compliance arising from requirements of the Building Act 2004 however we have not sighted a building report.	
Note (ii)	By what amounts do the considerations referred to in Note (i) increase the Reinstatement Cost?	N/A
Note (iii)	Are there any regulations preventing reinstatement wholly or in part? If so give brief details: Subject at all times to compliance with local body building bylaws and resource management controls.	N/A
B. Inflationary Provision		N/A

2.0 INDEMNIFICATION

A. Market Related Value		N/A
B. Depreciated Reinstatement Cost Estimate		N/A
C. Inflationary Provision (for the higher of "A" or "B" above during a 12 month insurance period if appropriate)		N/A

3.0 FUNCTIONAL REPLACEMENT

(Refer to the attached report/letter for the specification of the functional design)

A. Functional Replacement Cost Estimate	Refer to Schedule
B. Inflationary Provision	Refer to Schedule

4.0 DEMOLITION ESTIMATE

Refer to Schedule

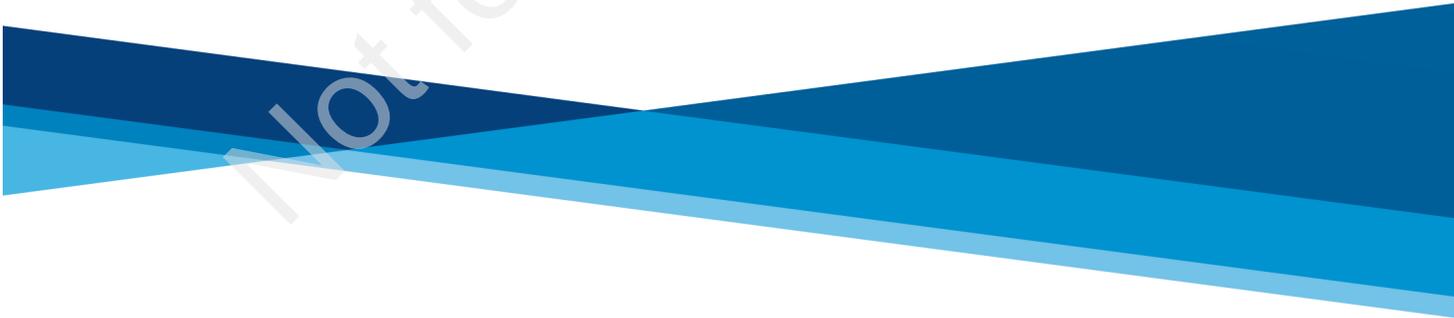
VALUATION DATE: March 2013

1.	All figures quoted are exclusive of Goods & Services Tax, Finance costs and other indirect costs.
2.	All figures are exclusive of any allowance for land value.
3.	This form must be read in conjunction with the definitions of terms contained within this valuation report.
4.	The information in this report has been prepared to establish insurance values and may not be used for other purposes without the written consent of the Valuer.
5.	All figures assume compliance with building regulations and bylaws.

APPENDIX 6

Definition of Insurance Valuation Terms

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DEFINITION OF INSURANCE VALUATION TERMS

The following definitions pertain to and form an integral part of the Valuation.

GENERAL

Name of Client

Normally the insured.

Address

Physical location including street address at which the assets are situated.

Asset Description

General description giving sufficient detail to identify the range of assets encompassed in the valuation including details of principal structure showing main construction materials. Any exclusion should be noted.

Upgrade Requirements

Typically, it will be helpful to summarise major differences between the insured asset and the modern equivalent asset.

Age

Estimated year of completion and dates of any major additions and upgrades.

Use/Occupation

Nature of main activity carried out at location.

Contour

Valuer's classification of the land contour containing building and immediate yard areas:

- 1) Level
- 2) Gentle
- 3) Easy
- 4) Medium
- 5) Steep
- 6) Other - as specified

Subsoil Type

General classification of land supporting building and immediate yard areas:

- 1) Bedrock
- 2) Firm natural ground
- 3) Filled ground
- 4) Unknown
- 5) Other - as specified

As a geotechnical survey has not been undertaken, the description is without prejudice.

Unless otherwise stated, the figures contained in the insurance valuation assume that the insured property can be reinstated on the land and that this reinstatement can be achieved without incurring foundation costs greater than the costs assumed in the valuation assessment, noting that these costs would typically reflect the cost to replace a modern equivalent asset on subsoil conditions as assumed.

1.0 REINSTATEMENT

A. Reinstatement Cost Estimate is an estimate of the cost at date of valuation (including relevant fees) of replacing the asset with a new modern equivalent asset, including, where appropriate, the use of current equivalent technology, material and services. This is intended as a guide for the purpose of setting insurance premiums and, unless specified elsewhere, is not based on a detailed elemental and schedule of quantities approach as would be undertaken by a quantity surveyor or costing engineer. In construction, unanticipated problems often arise and actual rebuilding, repair or replacement costs may vary from the estimate.

In the case of partial destruction, no specific allowance has been made for any additional requirements that any Council, Government or other Authority may require as additional expenditure to upgrade, alter or amend the undamaged portion of the asset.

Reinstatement does not allow for cost escalation due to a catastrophic event causing a general or localised surge in demand for new assets or rebuilding / repairs.

Where an asset has elements of a historic or heritage nature, unless otherwise specified, reinstatement does not include for reproduction of the existing asset with the original heritage features, but allows for a modern asset of similar size.

B. Inflationary Provision

This amount has been estimated on the basis of a loss occurring on the last day of a 12 month insurance period, if appropriate.

The inflation provision under 1.0 B and 3.0 B incorporates an allowance for the additional time required for damage inspections, demolition, preparation of new preliminary proposals and their approval by the Territorial Authority, preparation of working drawings and specifications, schedules of quantities, in addition to an estimated period of construction contract. No allowance is made for any delay due to the need to comply with the provisions of the Resource Management Act 1991.

All inflationary provisions are future projections, based on recent trends and are given without prejudice. Inflation and in particular, foreign exchange rate fluctuations affecting imported assets, are notoriously difficult to predict and the valuer cannot be responsible for any inaccuracy.

2.0 INDEMNITY

A & B. Indemnity Value Estimate

Is an estimate of the loss that would be suffered by the insured in the event the asset was destroyed.

This may be assessed using the Sales Comparison Approach, Income Approach or the Depreciated Replacement Cost approach, as appropriate. (See valuation report for guidance.)

C. Inflationary Provision

Is the estimated amount by which cost inflation exceeds depreciation over a 12 month period.

3.0 FUNCTIONAL REPLACEMENT

A. Functional Replacement Cost

Is the estimated cost required to replace all assets to perform similar tasks, but under optimum current design and layout conditions with capacity requirements not greater than currently available. The value of any partial loss has been disregarded in this context.

B. Inflationary Provision

This is calculated as per 1.0B but based on 3.0 Functional Replacement.

4.0 DEMOLITION ESTIMATE

For the purpose of valuation, it is assumed that 100% of the assets have been damaged beyond repair and have no salvage value.

Unless otherwise noted in the valuation covering letter, Demolition Estimate covers the cost of demolition and removal as debris of the assets valued only, excluding the cost of removal of any noxious materials, or removal of debris on adjoining properties.

The Demolition Estimate does not include for:

- 1) Shoring up any structures, either on the insured property, or neighbouring properties.
- 2) The removal of building contents.