RAPTIS GROUP LIMITED

ABN 43 010 472 858

23 February 2022

AUSTRALIAN SECURITIES EXCHANGE

Attention Company Announcements **Raptis Group Limited** (ASX code RPG)

We are pleased to advise that the attached Notice of General Meeting package has been sent to all shareholders.

The meeting has been called to allow shareholders to vote on two motions.

1) Resolution 1

Is to secure a beneficial interest in the Gallery Residences and Pearl Residences management rights businesses on the Gold Coast. The businesses are currently beneficially held by Mr James Raptis and Mrs Helen Raptis privately.

The Independent Experts report prepared by Hall Chadwick Corporate (VIC) Pty Ltd has concluded that the transaction is Fair and Reasonable, for non-associated shareholders.

The meeting resolution proposes a payment of \$2,813,218 for the exclusive beneficial interest in the income and capital of the two management rights. Payment for the interests is \$2,100,000 million in cash and the balance a loan from an associate of James and Helen Raptis.

The management business is regarded as having a lower risk profile than property development. The business has the capacity to provide a stable cash flow during the term of the agreements for a period of twenty plus years.

2) Resolution 2

The second motion relates to entering a Development Management Agreement. The Independent Experts report prepared by Hall Chadwick Corporate (VIC) Pty Ltd has concluded that the transaction is Fair and Reasonable, for non-associated shareholders. The agreement is being entered into with the Trustee for the Main Beach Raptis Trust, a discretionary trust controlled by James, Helen and Evan Raptis.

The Development Management Agreement provides a fixed fee of \$100,000 and a performance bonus.

For all enquiries contact Mr James Raptis on 075 6280474

Level 16 1 Market Street Sydney NSW 2000



PO Box 25 Surfers Paradise Queensland 4217 Australia Tel (07) 56280474 Fax (07) 56464317



RAPTIS GROUP LIMITED

ACN 010 472 858

Notice of General Meeting

24 March 2022 2.30 pm Level 3, 25 Elkhorn Avenue Surfers Paradise 4217

ORDINARY BUSINESS

To consider and if thought fit, pass the following resolutions as ordinary resolutions:

1) Resolution 1 - Acquisition of management rights and associated borrowings

"That for purposes of ASX Listing Rule 10.1 and for all other purposes the arrangements to receive a beneficial interest in the Gallery Residences and proposed Pearl Residences management rights associated with James Raptis entities be approved including:

- a. Agreement to acquire the exclusive beneficial interest in the "Management Rights" income and capital,
- b. Payment for Gallery Residences Letting and Caretaking Agreements and unit 801 is to be paid in cash in an amount of \$2,100,000 subject to settlement adjustments.
- c. Payment for Pearl Management Letting and Caretaking to be via vendor finance of \$713,218 subject to settlement adjustments being funds required for a period of five years at 5% per annum."

2) Resolution 2 - Enter into a development management agreement

"That for the purposes of ASX Listing Rule 10.1 and all other purposes shareholders approve entering into a Development Management Agreement, to participate subject to performance in the sales proceeds of units at Pearl Residences Main Beach on the Gold Coast."

Electronic Attendance

Video conference access will be available at that time via the link.

https://bit.ly/3IWNw6b

By order of the Board Dated 23 February 2022

Malcolm Cory Company Secretary



RAPTIS GROUP LIMITED

ACN 010 472 858

PROXY FORM FOR 24 MARCH 2022 GENERAL MEETING

	HOLDER NA ADDRESS L	AME – LINE 1					
	ADDRESS L ADDRESS L	INE 3				NUMBE	R
	ADDRESS L					HIN/SF	RN
I/We b	peing a member	of Raptis Group Ltd	d and entitled to attend and vote her	eby appoint			
A.	The Chairman	of the Meeting (Ma	rk Box) or				
	corporate you corporate is nat and to vote in a at the General Meeting. Whe	are appointing as med, the Chairman accordance with the Meeting of the Colere more than one	airman of the Meeting as your proxy, your proxy or failing the person/bo of the Meeting, as my/our proxy to a following instructions (or if no direct mpany to be held on 24 March 2022 proxy is to be appointed or whe tional form of proxy is available on re	ody corporate na act generally at the tions have been 2 at 2.30pm and are voting intent	amed, he mee given, d at an ions c	or if no peting on my as the proy adjournmy annot be	erson/body /our behalf xy sees fit) nent of that
	Proxies will online before the Mee		cepted by the Company if they are	signed and rece	eived n	o later tha	n 48 hours
	as my/our prox exercise my/ou	y (or the Chairman r proxy (except wh	e undirected proxies: Where I/we he hecomes my/our proxy by default; ere I/we have indicated a different with the Chairman.), I/we expressly	y autho	orise the C	hairman to
	The Chairman	of the Meeting in	tends to vote undirected proxies	in favour of all	Resol	utions.	
B.	To direct your p	proxy how to vote o	on any resolution please insert X in the	he appropriate b	ox bel	OW.	
	RESOLUTIO	DN			For	Against	Abstain*
	1.	two Management	nents to acquire the beneficial intere Rights associated with James Rapt an facilities be approved				
	2.		to a Joint Venture Development Pearl Residences at Main Beach	be			
* If yo	ou mark the Abst or on a poll and	ain box for a partic your votes will not	cular item, you are directing your pro	oxy not to vote o ed majority on a	n your poll.	behalf on	a show of
C.	SIGNATURE C	F SECURITYHOL	DERS – THIS MUST BE COMPLET	ΓED			
	rity holder 1 ridual)		Joint Security holder 2 (Individual)		Securi [,] ridual)	ty holder 3	
	rirector and company Secretary		Director/ Company Secretary (delete one)	Direct	tor		

How to Complete this Proxy Form

1. Your Name and Address

The name and address on the back of the Proxy Form is as it appears on the Company's share register. If this information is incorrect, please make the correction on the front of the form. Shareholders sponsored by a broker should advise their broker of any changes. Please note you cannot change ownership of your Shares using this form.

2. Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in section A. If the person you wish to appoint as your proxy is someone other than the Chairman of the meeting please write the name of the person in Section A. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of the Company. A proxy may be an individual or a body corporate.

3. Votes on Resolution

You should direct your proxy how to vote by placing a mark in one of the boxes opposite the resolution. All your Shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the resolution by inserting the percentage or number of Shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the resolutions, your proxy may vote as he chooses. If you mark more than one box on an item your vote on that resolution will be invalid.

4. Appointment of Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company or you may copy this form.

To appoint a second proxy you must:

- (a) On each of the first Proxy Form and the second Proxy Form state that percentage of your voting rights or number of Shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, your proxy appointments will be invalid. Fractions of votes will be disregarded.
- (b) Return both forms together

5. Signing instructions

You must sign this form as follows in the spaces provided:

Individual: Where the holding is in one name, the holder must sign.

Joint Holding: Where the holding is in more than one name, either security holder may sign.

Power of Attorney: To sign under Power of Attorney, you must have already lodged the Power of Attorney with

the registry. If you have not previously lodged this document for notation, please attach a

certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form

must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below by 2.30pm on Tuesday 22 March 2022 being not later than 48 hours before commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged by depositing, delivery or facsimile to the Raptis Group Ltd share registry as follows:

NextRegistries

Delivery: Level 16 1 Market Street, Sydney NSW
Post: PO Box H195 Australia Square NSW 1215

Email: <u>mail@nextregistries.com</u>.au

Facsimile: 02 9251 1275

Explanatory Statement

This Explanatory Statement together with the Independent Expert's Report are intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting ("Notice") of the Company. We note that Hall Chadwick Corporate (VIC) Pty Ltd have expressed their view that the transactions are Fair and Reasonable for the members of Raptis Group Limited.

APPROVAL OF MANAGEMENT RIGHTS RELATED PARTY DEALINGS

It is proposed that Raptis Group Limited acquire from Raptis Private Family interests the rights to income and capital of two Management Rights Businesses and associated assets. The consideration is to be two Million Eight Hundred and Thirteen Thousand Two Hundred and Eight dollars. (\$2,813,218) It is to be paid \$2,100,000 million on completing of the exchange of documentation for the first portion and a loan from Raptis Private Family interests for the balance of the funds.

RESOLUTION – MANAGEMENT RIGHTS

Summary

This resolution seeks the approval of members for the payment for the rights to income and capital of the Gallery Residences Management, and Pearl Residences Management. It also includes the associated Real Property being office space to conduct the business and in the case of the Gallery residences a residential unit. The Gallery Management assets are to be paid for in cash of \$2,100,000 and Pearl Residences via vendor finance of \$713,218. This providing of finance to Raptis Group Limited also requires the approval of shareholders.

The loan is for a term of five years at an interest rate of five percent per annum to be paid monthly with minimum principal repayments of 5% of the opening annual balance to be paid each year. The loan may be repaid at any time without penalty. There is no provision in the facility for a conversion to shares, it is purely a cash transaction.

The Corporations Act 2001 Sect 208 requires the approval of members for a financial benefit being given to a related party. To assist members, as required by Chapter 10 of the ASX Listing Rules an independent expert's report has been prepared by Hall Chadwick Corporate (VIC) Pty Ltd. Approval of this transaction is required in respect of Mr and Mrs Raptis under Listing Rules.

- 10.1.1, as they are related parties as directors of Raptis Group Limited
- 10.1.3, as they are substantial shareholders holding a joint indirect interest in 63.7% of fully paid ordinary shares. and
- 10.1.4 as certain associates of Mr and Mrs Raptis are involved in this transaction.

A voting exclusion statement is attached excluding Raptis Family Interests from voting.

RESOLUTION MANAGEMENT RIGHTS

This Resolution seeks shareholder approval for the payment of Two Million Eight Hundred and Thirteen Thousand Two Hundred and Eighteen Dollars to an associate of Mr James and Mrs Helen Raptis in consideration for the rights to all income and capital of the two Management Rights business. It also includes establishment of a loan facility from Mr James and Mrs Helen Raptis associated entity for the balance of funds associated with this transaction, \$713,218 to be paid via vendor finance for the second business. The two properties concerned are the Gallery Residences in Second Avenue Broadbeach, Pearl Residences Aloha Lane Main Beach which is under construction. An Independent Expert's Report prepared by Hall Chadwick Corporate (VIC) Pty Ltd accompanies this notice.

The Management Rights comprise the letting and caretaking agreements a strata title office for both developments and a residential unit in the Gallery Residences. The Gallery Residences Caretaking agreement requires the manager to reside on site. The letting agreement provides that the owner of the on site letting office is entitled to conduct an exclusive real estate letting office on the site of the property concerned. The caretaking agreement with the relevant body corporates provide for certain caretaking duties to be preformed in exchange for payments from the Body Corporate.

Other material terms of the agreement as requested by Listing Rule 10.5.8 are as follows. The Gallery Residences was completed in September 2021. Pearl Residences is due for completion in late 2022. It is not yet clear how many units will form part of the letting pool. There is a mechanism in the agreement following the guidance of the valuation report to allow a six monthly adjustment after the settling of the relevant letting agreements. The acquisition price has been set at 90% of the amount determined by the independent valuation, the adjustment will be made to maintain the discount.

This business assets have been subject to a valuation by industry specialist independent valuers "Australian Valuers".

- * Section 208 of the Corporations Act 2001, requires a public company to obtain the approval of the company's shareholders before the company gives a financial benefit to a related party of the public company. Section 228 (2) identifies directors of the company as Related Parties and Section 228 (4) confirms an entity controlled by a related party is also a related party of the public company. Section 229 (3)(a) includes giving or providing the related party finance or property to a related party as "giving a financial benefit".
- * ASX Listing Rule 10.1.1 requires non associated shareholder approval to be obtained where an entity acquires a substantial asset from a related party.
- ❖ ASX Listing Rule 10.1.3 requires non associated shareholder approval to be obtained as James and Helen Raptis are substantial shareholders holding a joint indirect interest in 63.7% of fully paid ordinary shares.
- * ASX Listing Rule 10.1.4 requires non associated shareholder approval to be obtained, as the transaction involves associates of James and Helen Raptis.

RESOLUTION DEVELOPMENT MANAGEMENT AGREEMENT

Summary

This resolution seeks the approval of non associated members for entering into a Development Management agreement in respect of Pearl Residences.

Philadelphia Developments Pty Ltd an entity developing Pearl Residences at Main Beach associated with Raptis Family interests has provided the option to enter into a Development Management Agreement whereby Raptis Group Limited will provide marketing and development management services to Pearl Residences with a return depending on achieving performance hurdles being:

- 1.5% of sales is payable for sales settled on or before 31 December 2022 and
- 0.5% of sales is payable for sales settled on or before 30 June 2023.

To assist shareholders, revenue of between \$100,000 and \$2,250,000 may be booked in the period to 30 June 2023 depending on the capacity of the group to assist the project to be built and settle efficiently.

- * Section 208 of the Corporations Act 2001, requires a public company to obtain the approval of the company's shareholders before the company gives a financial benefit to a related party of the public company. Section 228 (2) identifies directors of the company as Related Parties and Section 228 (4) confirms an entity controlled by a related party is also a related party of the public company.
- * ASX Listing Rule 10.1.1 requires non associated shareholder approval to be obtained where an entity acquires a substantial asset from a related party.
- * ASX Listing Rule 10.1.3 requires non associated shareholder approval to be obtained as James and Helen Raptis are substantial shareholders holding a joint indirect interest in 63.7% of fully paid ordinary shares.
- * ASX Listing Rule 10.1.4 requires non associated shareholder approval to be obtained, as the transaction involves associates of James and Helen Raptis.

A voting exclusion statement is attached excluding Raptis Family Interests from voting.

FINANCIAL POSITION OF RAPTIS GROUP LIMITED

Raptis Group Limited at 31 December 2021 disclosed Cash of \$2,901,325 and Total Equity of \$2,852,260 One property development and the acquisition and sale of management rights have been successfully completed since the reorganisation. The company view the management and letting agreements that comprise management rights as consistent income stream with a lower risk profile than property developments. These will allow the company a stable income stream and capacity to build up the asset backing of the company. Entering into a Development Management agreement allows the company to earn income from its development expertise while minimising the risk exposure. These proposals allow the opportunity to build up the

capital base of the company to have the capacity to undertake larger development projects. The company continues to research development opportunities generally and specifically in the build to rent sector.

One of the major segments of business the company has undertaken throughout its trading history is the management of strata units. The management of strata units is a well recognised business activity particularly in South East Queensland. This business has been characterised by long term contracts up to 25 years and a consistent cash flow. To assist Raptis Group Limited grow, the Raptis Family have offered the Company the option to secure the income and potential capital growth of these developments in Broadbeach and Main Beach on the Gold Coast.

DIRECTORS VOTING INTENTION

Mr James Mrs Helen Raptis and their associates will not vote on this resolution, refer to the voting exclusion statement.

Malcolm Cory a shareholder and director has no financial interest in the Gallery Residences or Pearl Residences Management business.

I support and will vote in favour of the first two resolutions. I am of the view that it is in the best interest of non-related shareholders for the following reasons.

- 1. I regard these as quality assets with a stable cash flow and lower inherent risk than property development.
- 2. These are medium scale management rights of a class that is regarded as having a good market appeal in the industry.
- 3. Raptis Family interests could sell the business and recover in the short term cash in arguably a more beneficial manner to benefit the Raptis Private Family. Making this asset available to Raptis Group Limited provides a benefit to the public company that it may not easily be able to secure without their support.

Mr Malcolm Cory recommends shareholders vote in favour of the motion in order to build an income stream and acquire an asset expected to increase in value with the view to improve value to all shareholders.

In respect of the Development Management Agreement, I see Raptis Group Limited has having demonstrated expertise in all aspects of the Gold Coast apartment development process allowing a quality product to be brought to the market in a short time frame.

The proposed agreement allows the company to exercise and be rewarded for its expertise with a minimal risk.

(i) Mr James Raptis and Mrs Helen Raptis decline to make a recommendation to shareholders in relation to the Resolution due to their material personal interest in

- the outcome on the basis that their association and beneficial interests in the Gallery Residences and Pearl Residences developments.
- (ii) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass these Resolutions.

GLOSSARY

\$ means Australian Dollars or Cents.

Annual General Meeting means the meeting convened by the Notice of Meeting.

ASX means ASX Ltd, or the Australian Securities Exchange, as the context requires.

Board means the current board of directors of the Company.

Company means Raptis Group Limited ACN 010 472 858.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Directors mean the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Gallery Residences means the 108 unit residential tower at 28 Second Avenue Broadbeach

Independent Expert's Report means the report prepared by Hall Chadwick Corporate (VIC) Pty Ltd

Listing Rules means the ASX Listing Rules.

Notice of Meeting means the notice of meeting including the explanatory statement independent expert's report and attachments.

Pearl Residences means the residential tower development under construction at 3540 Main Beach Parade on the Gold Coast.

Raptis Private Family Interests means entities in which James and Helen Raptis have a beneficial interest but excluding controlled entities of Raptis Group Limited.

Unit 801 means the two bedroom unit on level eight of the Gallery Residences to be held by the owner of the management rights to allow the manager to reside on site as required by the caretaking agreement.

Valuation means the Valuations of Gallery Residences and Pearl Residences prepared by Australian Valuers dated 17 September 2021 and 6 September 2021.

Voting Exclusion Statement

The Company will disregard any votes cast on the resolution by any person who is to participate in the payment for the acquisition referred to in the resolution or any associate of any such person, unless:

"the vote is cast as proxy for a person who is entitled to vote, in accordance with directions on the proxy form specifying how the proxy is to vote; or the vote is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides."

Determination of entitlement to vote

For the purpose of the Meeting, the Directors have determined that shares will be taken to be held by persons registered as shareholders as at 7.00pm (Sydney time) on Wednesday, 22 March 2022.

Proxies

Each shareholder may appoint a proxy, who need not be a shareholder, to attend and vote at the AGM on the shareholder's behalf. A shareholder who is entitled to attend and cast two or more votes at the Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise on a poll. If the shareholder appoints two proxies and the appointment does not specify the proportion or number of the shareholder's votes that each may exercise, each may exercise half of the votes (disregarding fractions) on a poll. A proxy form and, if not signed by the shareholder, the power of attorney or other authority (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company at least 48 hours before the time for holding the Meeting – that is, by 2.30pm (Sydney time) on Wednesday, 22 March 2022.

Proxy forms may be lodged with the Company by depositing, delivery email or facsimile to Raptis Group Share Registry as follows:

NextRegistries

Delivery: Level 16 1 Market Street, Sydney NSW Post: PO Box H195 Australia Square NSW 1215

Email: mail@nextregistries.com.au

Facsimile: 02 9251 1275

Corporate representatives

A company wishing to appoint a person to act as its representative at the meeting must provide that person with a letter executed in accordance with the company's constitution and the Corporations Act authorising him or her to act as the member's representative.



Independent Expert's Report

Acquisition of Management Rights & Property in relation to the Gallery Residences at Broadbeach

Acquisition of Management Rights & Property in relation to the Pearl Residences at Main Beach and entering into a borrowing arrangement

Entering into the Development Management Agreement for the Pearl Residences

Date: 31 January 2022



31 January 2022

The Independent Directors Raptis Group Limited Nexia Sydney Level 16 1 Market Street Sydney New South Wales 2000

Dear Sir(s)/Madam(s)

Independent Expert's Report on proposed related party transactions for the purchase of management rights, real property, vendor finance and entering into a project management agreement.

1. Introduction

1.1 Background

Raptis Group Limited (RPG) is a property business including property development, management and investment activities in Australia.

RPG is seeking approval from Non-Associated Shareholders in respect of the following proposed transactions (collectively the **Transactions**) with entities owned by or controlled by Mr James Raptis, Mrs Helen Raptis and Mr Evan Raptis, Directors of RPG:

- Resolution 1 Acquisition of:
 - Gallery Management Rights & Real Property
 - control of the Gallery Management Trust (the Gallery Trust) the controller of the economic interest in the Gallery Management Rights business (the Gallery Management Rights)
 - the manager's lot (the **Gallery Manager's Residence**)
 - the manager's office (the Gallery Manager's Office)

(collectively the Gallery Management Assets)

- Pearl Management Rights & Real Property
 - the Pearl Management Rights business (the Pearl Management Rights)
 - the manager's office (the Pearl Manager's Office).

(collectively the Pearl Management Assets)

• the borrowing of \$713,218 to acquire the Pearl Management Assets.

The Gallery Management Assets and the Pearl Management Assets are collectively referred to herein as the **Management Assets**.





o Resolution 2 - Pearl Residences Development Management Services Agreement

 Entering into an agreement to provide development management services to Philadelphia Developments Pty Ltd ACN 614 829 551 (Philadelphia) in respect of the development of the Pearl Residences for a fixed management fee plus performance based fees (the DMA).

The Management Assets and the DMA are collectively referred to herein as the **Transaction Assets.**

RPG is proposing purchase consideration of \$2,813,218 to acquire the Management Assets. The acquisitions will be funded by:

- Cash \$2,100,000

- Borrowing \$713,218

1.2 Purpose of Report

You have requested Hall Chadwick Corporate (Vic) Pty Ltd (HCC) to prepare an Independent Expert's Report to advise the shareholders of RPG other than those associated with the ownership of the Gallery Management Assets, the Pearl Management Assets and Philadelphia (Non-Associated Shareholders), whether the Proposed Transactions are fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.

HCC understands and has agreed that this report will accompany the notice to convene a meeting of RPG shareholders, to assist the Non-Associated Shareholders in their consideration of the Proposed Transactions.

For the purpose of this Report, we have appointed Australian Valuers, an independent property valuation company to review and provide an assessment of the value of the Management Assets. A copy of the Australian Valuers' valuation reports dated 17 September 2021 in respect of the Gallery Management Assets (the Gallery Valuation Report) and 6 September 2021 in respect of the Pearl Management Assets (the Pearl Valuation Report) are appended to this report as Appendix C and D respectively.

1.3 Opinion Summary

In our opinion, the Proposed Transactions are <u>fair and reasonable</u> to the shareholders of RPG whose votes are not to be disregarded, being the Non-Associated Shareholders.

The basis of our evaluation and reasoning of our conclusions are detailed in this report. Our opinion is based solely on information available as at the date of this report. The principal factors that we have considered in forming our opinion are summarised below.



1.4 Fairness Opinion

According to RG 111, for the Proposed Transactions to be fair, the value of the assets being acquired must be equal to or greater than the value of the consideration. The fairness of each of the Transactions is considered as follows:

Resolution 1 - Management Assets

Based on our analysis contained herein, the value of the Gallery Management Assets and the Pearl Management Assets is greater than the Consideration and therefore the Transactions are fair, summarised below:

Summary Opinion - Valuation and Fairness - Management Assets (\$):

	Transaction Price	Valuation	Opinion
Gallery Managent Rights	1,120,000	1,343,710	
Gallery Manager's Residence	900,000	900,000	
Gallery Manager's Office	80,000	80,000	
Gallery Management Assets	2,100,000	2,323,710	Fair
Pearl Management Rights	633,218	703,576	
Pearl Manager's Office	80,000	80,000	
Pearl Management Assets	713,218	783,576	Fair
Total Management Assets	2,813,218	3,107,286	Fair

Source: Australian Valuers' Gallery Valuation, Pearl Valuation, RPG Notice Of Meeting, HCC analysis

The Management Assets have been valued by Australian Valuers. The valuation opinions have been prepared based on the Australian Property Institute Standards on the basis of Market Value (as defined by the International Valuation Standards), on the premise of a Going Concern (as defined by the International Valuation Standards) and exclude any distress or urgency of sale.

Australian Valuers' opinions are based on financial forecasts prepared in July 2021. We have reviewed:

- The actual trading performance of the Gallery Management Rights to 31 December 2021;
- The financial forecast inputs as at 31 December 2021 for the Pearl financial forecast; and
- The current state of the Gold Coast management rights and property market as at 31 December 2021.

In our opinion, nothing has come to our attention that would indicate that the financial outlook for the management rights has deteriorated since the valuation date, that the management rights market has weakened or that the Gold Coast property market has weakened.

Note that the Management Rights opinions are after analysing financial forecasts which by their nature are based on assumptions about future events which are uncertain and that may not come to fruition.



Pearl Management Assets Financing

We have reviewed the proposed borrowing terms, conditions and security requirements as well as the interest rates compared to rates published by the major Australian banks. The borrowing of \$713,218 is to be secured by the Pearl Management Assets.

In our opinion the borrowing proposal is fair given the Pearl Trust's borrowing will represent 100% of its assets and the security offered in the main is not real property. In addition the interest rate appears fair given rates and fees that are promoted by Australia's major banks, summarised as follows:

Opinion Summary - Pearl Management Assets Borrowing Fairness

	Indicative		
	Market Rates	Transaction	Opinion
Interest Rate	5.75% (base rate)	5.0%	
Default Rate	16.5% (CBA)	5.5%	
Application Fees	vary	n/a	
Fees	vary	n/a	

Indicative market rates as per HCC research. Rates are base variable rates, customer margins may apply

Resolution 2 - The DMA

Based on our analysis of the DMA, RPG is to receive a fixed fee of \$0.1 million for the provisions of development management services plus the opportunity to earn additional performance based fees, based on:

- 1.5% of sales for sales settled on or before 31 December 2022 and
- 0.5% of sales for sales settled on or before 30 June 2023.

The costs to supply the services are likely to approximate \$nil. Mr James Raptis has pledged to RPG to provide his services as required by the DMA at no charge to RPG.

On the basis that the Expected DMA costs are \$nil and with the opportunity to earn the fixed fee plus the opportunity to earn the additional performance based fees, in our opinion, entering into the DMA is fair.

1.5 Reasonableness Opinion

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- the transaction is fair; or
- despite not being fair the expert believes that there are sufficient reasons for Non Associated Shareholders to accept the Transaction.



We have concluded that each of the Transactions are fair and therefore each of the Transactions are reasonable.

In forming our opinion we have also considered the following advantages:

Advantages of the Transactions

Advantage	Explanation
Relatively stable revenue	Resolution 1 - Management Rights revenues are generally relatively stable annuity like revenue assets
Efficient transaction structure	Resolution 1 - The proposed structure of Transactions to obtain economic control of the Management Rights, although complex, are efficient as they do not require body corporate approvals and include tax efficiencies.
Vendor finance	Resolution 1 - The finance offer in respect of the Pearl Management Assets is on terms that avoid third finance application fees, ongoing fees and at an interest rate that appears reasonable.
Opportunity to build experience	Resolution 2 - The DMA provides an opportunity for RPG to build its credibility in the property development market
Expected net profit and net cash flow	Resolution 1 & 2 are expected to generate net profits and positive cash flows
	Resolution 1 & 2 will provide for a signficant scaling up of RPG operations. RPG currently does not have revenue generating assets nor service agreements.

Source: HCC Analysis

We have also considered the following disadvantages in respect of the Transactions:



Disadvantages of the Transactions

Disadvantage	Explanation
Complex transactions	Resolution 1 - The structure of the Transactions in respect of the Management Rights is legally complex
Debt funding	Resolution 1 - The Vendor finance offering of \$713,218 increases the finance risk of RPG. Debt risk is multiplicative not additive.
Key person risk	Resolution 2 - The provision of the services per the DMA rely on the skills and knowledge of Mr James Raptis who provides his services to RPG at no charge. Should Mr Raptis not be able to provide the services RPG may need to employ a suitably qualified person at a market salary to fulfill RPG's obligations under the DMA.
Potential not guaranteed	Resolution 1 & 2 - Despite the potential of the assets subject to the Transactions, there is no guarantee that this potential will ever be realised by RPG and lead to an increase to the value of the shares of RPG.
Timing	Resolution 1 & 2 - COVID-19 continues to create uncertainty globally and in particular for economies and businesses linked to tourism such as the Gold Coast where the assets are located and services are to be performed. COVID-19 poses a down side risk in respect to occupancy forecasts in the short term. Further protracted COVID-19 uncertainty may adversely impact pricing of services, rental rates and asset values.
Operational Risk	Resolution 1 & 2 - The Transactions will expose RPG to the risk of providing the various services. In particular the DMA is for the provision of consulting services to a major development which will require RPG to fullfill its duties competently, with a duty of care and without negligence.
Material transactions	Resolution 1 & 2 are material relative to RPG's current earnings and balance sheet.
Lack of diversity	Resolution 1 & 2 - The Transactions, if approved, will expose RPG shareholders to risks associated with the Gallery and Pearl Residences, both of which operate on the Gold Coast. Some of the risks associated with the Gallery and Pearl Residences include: demand for rental accommodation (short and long term), health of the Gold Coast tourism industry, competition from alternate, existing and new accommodation providers.
Transaction costs	Resolution 1 & 2 - RPG has engaged a number of advisers, lawyers and experts to facilitate and report on the Transactions. This work includes due diligence, preparation of notice of meeting and an independent expert's report. These are sunk costs that cannot be recovered if the Transactions do not proceed for any

Source: HCC Analysis



In our opinion, the advantages of each of the Transactions individually (and collectively) outweighs the disadvantages to the Non Associated Shareholders of RPG.

1.6 Other Matters

An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

- HCC are not the auditors of RPG. We have analysed and reviewed information provided by the Australian Valuers, the Directors and management of RPG and made further enquiries where appropriate.
- Our opinion of fairness in respect of the acquisition of the Management Rights is based on the
 valuation opinions of Australian Valuers. We have reviewed Australian Valuers report for its
 reasonableness and completeness. Nothing has come to our attention to conclude that its
 opinions are not reasonable. In our opinion the staff preparing and supervising the preparation
 of the report have sufficient skill, knowledge and experience to perform the valuations.
- This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in this report. To the extent we become aware of a material change in circumstances since the date of our report, we will issue a supplementary report at the request of RPG if so required.

This opinion should be read in conjunction with the Financial Services Guide attached to our opinion.

Shareholders should consider their own unique circumstances and how the Transactions may impact them individually before casting their vote in respect of the Resolutions. If in doubt, shareholders should seek professional advice in respect of the Resolutions and their unique circumstances.

Yours faithfully

Hall Chadwick Corporate (Vic) Pty Ltd

Mark Bailey

Authorised Representative (No. 001278596)

Encl.



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2. Outline of the Transactions

RPG through its wholly owned subsidiary Raptis Resorts Pty Ltd (Raptis Resorts) proposes to enter into the following transactions which are conditional on RPG shareholder approval:

2.1 Transaction 1 – Gallery Management Assets

Gallery Management Rights

Raptis Resorts is to become the controller of the Raptis Gallery Management Trust (the **Gallery Trust**). Gallery Management Services Pty Ltd ACN 648 345 297 (**GMS**) as trustee of the Gallery Trust owns the Gallery Management Rights (comprising the Gallery Caretakers Agreement, the Gallery Letting Agreement, Gallery Letting Appointments and other tangible and intangible assets to operate the Gallery Management Rights business in respect of the Gallery Residences at 30 Second Avenue, Broadbeach, Queensland).

Rather than have Raptis Resorts acquire these assets by an outright purchase, RPG proposes to adopt the current trust structure (as RPG did in respect of the acquisition of the Waterpoint Residences management rights). According to advice sought by RPG from a Queens Council, such a structure provides a commercial flexibility that an outright purchase would not provide, that allows tax and duty efficiencies (for example, for further restructuring or even the equivalent of a future sale of the asset).

Mr James Raptis, his wife Helen and their son Evan, are currently the Principals of the Trust which gives them the capacity to control the trust assets and income. The transaction transferring control of the economic benefits of the management rights to Raptis Resorts, and thus to RPG, is proposed to be effected pursuant to a Management Arrangements Deed (MA Deed) between GMS as trustee of the Gallery Trust and Raptis Resorts whereby the transfer of control will be effected and economic benefits will be conferred on Raptis Resorts.

The consideration of \$1,120,000, for the acquisition of the Gallery Management Rights will be paid, pursuant to a Facilitation Fee Agreement, to Kyros Stage 3 Pty Ltd A.C.N. 618 217 977 (**Kyros**) a company controlled by Mr J Raptis. Kyros is also the vendor of the Gallery Manager's Residence and the Gallery Manager's Office.

The transferring of the economic benefits will be achieved on satisfaction of certain conditions precedent by:

- a change of the Principal of the Gallery Trust from the current principals to Raptis Resorts;
 and
- GMS as trustee of the Gallery Trust declaring, by revocable resolution, that all future income
 of the Trust will be applied for the benefit of Raptis Resorts, and thus for the benefit of its
 holding company, RPG.

As Raptis Resorts will control the trust, as Principal an irrevocable resolution is not considered necessary.

A key value driver of management rights is the size of the Letting Pool. The Facilitation Agreements is predicated on a Letting Pool of 20 at settlement and provides for a price adjustment if the Letting Pool is less than 20 at settlement the price is adjusted at \$20,083.50 plus any applicable GST.

The Gallery Management Rights business commenced trading in September 2021 and is analysed further herein.



Gallery Manager's Unit and Gallery Manager's Office

The Gallery Manager's Unit and Gallery Manager's Office will be acquired from Kyros in a standard legal form for the acquisition of real property. The sale is also incorporated into the Facilitation Fee Agreement.

Funding Transaction 1 - Acquisition of the Gallery Management Assets

The Gallery Management Asset transactions are to be funded from RPG's cash reserves.

2.2 Transaction 2 - Pearl Management Assets

Pearl Management Rights

Pearl Management Services Pty Ltd ACN 648 345 340 (**PMS**), a company wholly owned by Raptis Resorts, that acts as trustee of the Raptis Pearl Management Trust (the **Pearl Trust**) will acquire the Pearl Management Rights from Philadelphia Developments Pty Ltd (ACN 614 829 551) (**Philadelphia**), a company controlled by Mr James Raptis, pursuant to a Management Rights Procurement Agreement.

Raptis Resorts is the principal of the Pearl Trust and therefore controls the trust.

The Pearl Residences are currently in construction and estimated to be completed late in 2022, when the Pearl Management Rights business can commence.

The Procurement Agreement provides for an adjustment to the purchase price (up or down) of \$15,399 plus GST for any new letting appointments within six months from the entering into the Management Rights Procurement Agreement but ending the date the Management Assets are transferred.

Pearl Manager's Office

The Pearl Manager's Office will be acquired from Philadelphia in a standard legal form for the acquisition of real property.

Funding the Acquisition of the Pearl Management Assets

The Pearl Management Assets are to be financed from borrowings of \$713,218 to be lent by Artspring Admin Pty Ltd ACN 655 226 449 (**Artspring**), a company controlled by Mr J Raptis.

Artspring, will lend \$713,218 to PMS for the acquisition of the Pearl Assets based on a 5 year loan at a principal interest rate of 5% (fixed for the five year period) payable monthly and a minimum annual principal repayment of 5% of the prior years balance.

Artspring's security will include a first registered mortgage over the Pearl Manager's Office and a first ranking general security agreement over all present and after acquired property of PMS. It will also be a condition that PMS has \$100,000 in total annual aggregate management rights income.



2.3 The DMA

Philadelphia (the current owner and developer of the Pearl Residences) has offered the role of Development Manager to RPG in respect of the development of the Pearl Residences as per the DMA.

The role will require RPG to:- control, manage, co-ordinate and supervise certain activities involved in the development of the Pearl Residences in return for a fixed fee of \$100,000 plus performance based fees tied to the timing of completion of the development and the sale prices of lots.

Construction is expected to be completed in late 2022 and settlements to occur in late 2022 and early 2023.



3. Purpose of Report

The purpose of this report is to advise the Non-Associated Shareholders of RPG of the fairness and reasonableness of the Proposed Transactions. This report provides an opinion on whether or not the terms and conditions in relation to the Transaction are fair and reasonable to the RPG shareholders whose votes are not to be disregarded in respect of the Transactions (that is, the Non-Associated Shareholders).

The ultimate decision whether to accept the terms of the Transactions should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

This report has been prepared to satisfy the requirements of the Corporations Act 2001 (Cth) (Corporations Act) and the ASX Listing Rules.

3.1 Corporations Act Requirements

Section 208 of the Corporations Act specifies that a public company must obtain approval from its shareholders for it to give a financial benefit (including acquisition of an asset) to a related party.

The Proposed Transactions are with related parties and therefore require shareholder approval in accordance with Section 208 of the Corporations Act.

ASIC Regulatory Guide 74 "Acquisitions Approved by Members" requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 74 states that the directors may satisfy their obligation to provide this analysis by the independent directors commissioning an independent expert's report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

3.2 ASX Listing Rules

Chapter 10 of the ASX Listing Rules requires the approval from non-associated shareholders of a company if the company proposes to acquire or dispose a substantial asset from a related party or a substantial holder.

The ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statements provided to the ASX (the "Substantial Asset").

Based on the ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before a transaction, in at least 10% of the voting power of the company (the "Substantial Holder").

The ASX Listing Rule 10.10.2 requires that the Notice of Meeting and Explanatory Memorandum be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.



The Independent Directors of RPG have requested Hall Chadwick Corporate Finance to prepare the Independent Expert's Report stating whether, in its opinion, the Proposed Transactions are fair and reasonable to the Non-Associated Shareholders of the Company.



Basis of Evaluation

In our assessment of whether the Proposed Transactions are fair and reasonable to RPG's Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by ASIC, in particular, Regulatory Guide 74 "Acquisitions Approved by Members", Regulatory Guide 111 "Content of Experts Reports" and Regulatory Guide 112 "Independence of Experts Reports".

ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transactions are fair and reasonable.

Under Regulatory Guide 111, a transaction is "fair" if the value of the financial benefit being provided is equal to or greater than the value of the consideration being provided.

Additionally, under Regulatory Guide 111 an offer is "reasonable" if it is fair. It is possible for an offer to be reasonable despite being unfair. This would be after the expert considers that, based on non-financial factors, the shareholders should still approve the Transaction.

A proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity

Our report has compared the likely advantages and disadvantages to the Non-Associated Shareholders if the Proposed Transactions are agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the Management Assets to be acquired under the Transactions and the services to be provided per the DMA and the value of the consideration to be paid is only one element of this assessment.

In evaluating the Transactions we have reviewed and considered:

- The operational and financial position of RPG
- The independently assessed market value of the Management Assets as per the valuation report engaged by us and prepared by Ekaterina Ivandikova of Australian Valuers
- The terms conditions and pricing of the Pearl Borrowings and the DMA
- The potential revenue and expenses in respect of the DMA
- The consideration payable and ability of RPG to fund the purchase of the assets
- The resulting gearing of RPG
- The advantages and disadvantages associated with approving the Transactions

We consider that each of the individual Proposed Transactions will be reasonable if, on balance, the Non-Associated Shareholders in RPG will be better off if the Proposed Transactions are approved. We have also considered the Non-Associated Shareholders' interests should the Proposed Transaction not proceed.

The documents and information relied on for the purposes of this report are set out in Appendix A. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transactions are fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the



matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.



5. Raptis Overview

5.1 Raptis Operations

RPG is a property development services business. It currently does not have any operational assets nor service arrangements to generate revenue.

It has a board of experienced property development executives and is listed on the Australian Stock Exchange.

5.1 Statement of Financial Performance

The financial performance of RPG for FY20 to FY21 and for the six months to 31 December 2021 are summarised below:

RPG Condensed Consolidated Profit & Loss (\$)

	FY20	FY21	HY22
Revenue			
Management and caretaking fee	131,205	416,014	-
Consulting	50,000	-	-
Interest	8,142	-	-
Other revenue	-	461,275	311,835
Total Revenue	189,347	877,289	311,835
Expenses			
Administration and other expenses	56,159	97,803	44,280
Direct management rights costs	64,459	202,118	-
Feasability and research costs	-	-	64,290
Finance costs	15,618	45,876	-
Total Expenses	136,236	345,797	108,570
Net Profit before Tax	53,111	531,492	203,265
Income Tax Expense	-	-	-
Net profit	53,111	531,492	203,265

Source: RPG 2021 Financial Statements and draft half year accounts to 31 December 2021

We note the following in respect of RPG's historical financial performance:

- Management and caretaking fees of \$0.416 million were reported in FY21. RPG had only one
 property under management, the Waterpoint Residences. The management rights and associated
 assets were sold on 24 September 2020 due to the then uncertainties surrounding the impact of the
 COVID19 pandemic on the Gold Coast high rise residential rental market.
- In FY20 consulting income was reported in respect of property development consulting services. No income was reported for this service line since.



The finance costs reported in FY20 and FY21 relate to a related party loan from Zoe Finance Pty Ltd.
 This amount was fully repaid in FY21 from proceeds of the sale of the Waterpoint Residences' management rights and associated assets.

5.2 Statement of Financial Position

The financial position of RPG as at 30 June 2021 and 31 December 2021 is summarised below:

RPG Condensed Consolidated Financial Position (\$)

	30-Jun-21	31-Dec-21
Current Assets		
Cash at bank	2,665,694	2,901,325
Accounts receivable	801	4,153
Total Assets	2,666,495	2,905,478
Current Liabilities		
Accruals	17,500	53,218
Total Liabilities	17,500	53,218
Net Assets	2,648,995	2,852,260
Equity		
Issued capital	29,811,518	29,811,518
Accumulated losses	(27,162,523)	(26,959,258)
Total equity	2,648,995	2,852,260

Source: RPG 2021 Financial Statements and draft half year accounts to 31 December 2021

The following is noted in respect of Raptis' financial position:

- Reported cash at bank of \$2.9 million as at 31 December 2021 is post the sale and receipt of proceeds from the sale of the Waterpoint Residence management rights and associated assets
- As at 31 December 2021 RPG did not have any material assets other than cash and no material liabilities.



Transaction Assets Overview

6.1 Management Rights Overview

The Management Rights for the Gallery Residences and Pearl Residences are similar and include two key agreements for each property being a Caretakers Agreement and a Letting Agreement.

Caretakers Agreement

A Caretakers Agreement is between the Body Corporates and the Manager (**Manager/Caretaker**) to carry out duties to manage and maintain the common property of each residence as set out in the Agreements, including cleaning of common areas, maintenance of gardens, grounds, general reception, administrative duties and engaging contractors as required.

A Caretakers Agreement includes allowance for a fixed remuneration, indexed annually and is for a fixed term.

Letting Agreement

A Letting Agreement is between the Body Corporates and the Manager (**Letting Agent**). The Body Corporate grants the Letting Agent the right to erect signage to promote the Letting Agent's services.

The Letting Agreements only provides for the right to offer letting services. It does not exclude external Letting Agents from conducting a letting service to Lot Owners from an offsite office.

If the Letting Agent's offer of services is accepted by a Lot Owner (Investor) the Letting Agent and the Investor enter into a Letting Appointment Agreement for the Letting Agent to provide property management services on behalf of Investors. The letting services may be for short term holiday accommodation or longer term rental arrangements.

The Letting Agent generates income from management commissions, letting fees and cleaning services as stated within the Letting Appointment Agreement.

A key revenue, profit and valuer driver of the Letting Agreement is the number of properties available to be let, that is properties owned by investors (the **Letting Pool**).

Net Operating profit

As detailed in the Australian Valuers' reports, management rights, particularly on the Gold Coast, are generally analysed and valued based on their Net Operating Profit as defined in clause 12.1(a) of the REIQ Standard "For the purpose of this clause Net Operating Profit shall be calculated by deducting from the gross income for the business for the relevant period the actual expenses of operating the business for that period (in particular excluding depreciation, borrowing expenses, interest on borrowings and any payment of labour related to work which would be performed by a two person resident management team)."



The NOP is directly related to the number of units in the letting pool, the occupancy of those units and the amount of work undertaken by the managers to the exclusion of outside labour, if any. A change in any one of these factors will significantly affect the net operating profit achievable from the business.

Note the Letting Pool and letting Appointments can vary from month to month.

6.2 Gallery Management Assets

Gallery Residences

The Gallery Management Rights are in respect of the Gallery Residences located at 28-30 Second Avenue Broadbeach Queensland. Construction of the 22 residential levels and 3 basement levels of 108 residential lots and one manager's office was completed in September 2021.

The Gallery Residences comprises 81 two bedroom units, 26 three bedroom units and 1 four bedroom unit. The development includes a gymnasium, a rooftop area with a pool, kitchen a BBQ area and a manager's office.

The complex is close to the Florida Gardens tram station, Cascade Gardens, Broadbeach, Broadbeach Bowls Club and the Broadbeach Surf Club. It is also a short drive to Pacific Fair and Oasis shopping centres, the Star Casino, Broadbeach restaurant Precinct and Surfers Paradise.

Gallery Caretaking Agreement

The Gallery Caretaking Agreement is for an initial period of 15 years with a 10 year option (that is a total of 25 years if the option is exercised). The remuneration is based on a fixed remuneration per lot summarised as follows:

Gallery Residence Caretaker Agreement Remuneration

	Rate \$	Lots	Total
Ordinary Lots	1,600	108	172,800
Manager's Lot	160	1_	160
Total Caretaker Fee Year 1		_	\$ 172,960
		_	

Source: Gallery Residences Caretaker Agreement

The agreement provides for the manager's remuneration to be indexed annually.

Gallery Letting Agreement

The letting agreement is for a 15 year term commencing on 6 September 2021 and ending on 5 September 2036 with an option for a further 10 years ending 5 September 2046.

The Letting Pool, as of mid January was 27, for which the Manager had 27 Appointments made up of 19 permanent appointments and 8 letting appointments.



Gallery Management Rights Estimated NOP

Australian Valuers calculated NOP for the Gallery Residences based on various Letting Pool sizes summarised as follows:

Gallery Management Rights - Matrix of Estimated NOP (\$):

Letting Pool Size:	0	10	20	30	40
Estimated NOP	171,936	214,849	257,761	300,674	343,586

Source: Gallery Valuation Report pages 48 & 49

It is noted that the Estimated NOP varies by \$42,913 for each 10 lots in the Letting Pool (or \$4,291 per lot).

The Estimated NOP was calculated from the forecasts prepared by Crest Accountants in July 2021 and compared by Australian Valuers to management rights businesses of other comparable complexes.

The Gallery Management Rights are being acquired based on a Letting Pool of 20, for which the Estimated NOP was \$257,761.

Gallery Management Rights Actual Financial Performance

The Gallery Management Rights business commenced in September 2021. Its actual trading performance appears in line with the expected NOP and is summarised as follows:

Gallery Management Rights Actual NOP - 3 Months to 31 December 2021

Cancily Management Hights Actual No.	5 Williams to 51 December Louis
	\$
Revenue	
Management Fee	57,653
Letting Fees	20,039
Other	3,186
Total Income	80,878
Less Expenses	9,281
Actual NOP	71,597

Source: Gallery Management Services Pty Ltd unaudited management accounts

The following is noted:

- The 3 months trading to 31 December 2021 is a 'start up' period in which revenues and expenses may be more volatile compared to when the business matures
- The Caretaking revenue is in line with the Caretakers Agreement
- The actual Letting Pool may vary over time and can be higher or lower and therefore the resulting NOP could be higher or lower than estimated in the future



- Letting revenues are also impacted by rents achieved and commission rates. Actual average long term letting rates were approximately \$800 (compared to forecast of \$700) and letting rates at 8.8% (compared to estimate of 7%). appear at least in line with the estimated NOP calculation, if not higher
- The period reported does not include the key Christmas holiday season
- Actual expenses are tracking lower than expected, however are likely to increase in future periods.

Gallery Other Management Assets

In addition to the Management Rights, the Transaction includes the transfer of other existing tangible and intangible assets relevant to the operating of the Gallery Management Rights business. This includes but is not limited to Letting Appointments provided by individual owners, any associated bonds or security deposits, phone numbers, email addresses, all website material, all plant, equipment, intellectual property rights and stock in trade held by the Trust, licences contractual arrangements of the Gallery Trust relevant to the management and letting activities, registers, books, reports, correspondence, files, plans and manuals relating to the management and letting at the Development.

As at 31 December 2021, GMS held 20 Letting Appointments in respect of the Gallery Residences and this had increased to 27 by mid January 2022.

Gallery Manager's Premises

The Gallery Caretakers Agreement requires that the Manager lives on the premises. To fulfil this requirement, RPG proposes to acquire Lot 801 of the Gallery Residences.

Lot 801 is a 109 square metre apartment incorporating 100 square metres of living space (two bedrooms, 2 bathrooms) plus a 9 square metre balcony and one exclusive car space (car park 72).

Gallery Caretakers Office

The Caretakers Agreement requires the provision of an office.

The Manager's Office/Reception facility (Lot 1) is 16 square metres and situated on the ground level of the complex.

6.3 Pearl Residences Assets

Pearl Residences

Pearl Residences at 3,550 to 3,552 Main Beach Parade, Main Beach Queensland are currently under construction. The proposed development is for 89 residential units with an end value of approximately \$150 million. Construction has commenced and is expected to be completed by late 2022.

The complex will comprise 44 two bedroom units, 42 three bedroom units and 2 four bedroom units as well as a gymnasium, a rooftop area with a pool, exclusive dining area with wine cellar and a manager's office.



The Pearl Residences are located close to Tedder Avenue restaurants and shops, Main Beach, Macintosh Island, Hollindale Park, Main Beach Surf Club, a short drive to the Broadwater, Marina Mirage Surfers Paradise, Southport CBD and the Spit with the Main Beach Light Rail Station as an option for transport.

Pearl Caretakers Agreement

The Pearl Caretakers Agreement has a term of 15 years with a 10 year option with a Caretakers Fee of \$158,000 indexed annually to CPI.

Pearl Residence Caretaker Agreement Remuneration

	Rate \$ Lots		Total	
Ordinary Lots	1,775	89		158,000
Total Caretaker Fee Year 1			\$	158,000

Pearl Letting Agreement

The Pearl Letting Agreement has a term of 15 years with a 10 year option.

As at 31 December 2021, the Letting Pool is estimated at 10 units.

Pearl Management Rights Financial Forecast

Australian Valuers calculated Estimated NOP for the Pearl Residences based on various Letting Pool sizes summarised as follows:

Pearl Management Rights - Matrix of Estimated NOP (\$):

Letting Pool	0	10	20	30	32
Estimated NOP	145,200	191,444	237,688	283,931	293,180

Source: Pearl Valuation Report pages 44 & 45

It is noted that the Estimated NOP varies by \$42,914 for each 10 lots in the Letting Pool (or \$4,291 per lot).

The Estimated NOP was calculated from the forecasts prepared by Crest Accountants in July 2021 and compared by Australian Valuers to management rights businesses of other comparable complexes.

The Pearl Management Rights are being acquired based on a Letting Pool of 10, for which the Estimated NOP was \$191,444.

Since the Estimated NOP was calculated, our research indicates that there is evidence that key Letting revenue inputs such as property rentals may have increased. Philadelphia has redesigned the property



such that prices and rents are likely to be higher. Furthermore we note the report of Herron Todd White that the Gold Coast property market has continued to display growth in the December 2021 quarter¹.

Pearl Manager's Office

The Pearl Manager's Office/Reception facility (Lot 1) is situated on the ground floor mezzanine of the Pearl Residence. The lot is of 26 square metres.

Pearl Vendors Finance

Key terms of the Pearl Vendors Finance are summarised as follows:

Summary Pearl Vendor Finance Key Terms

Transaction Price			
Artspring Admin Pty Ltd			
Pearl Management Services Pty Ltd			
Lot 1 on SP 317763			
\$713,218			
n/a			
n/a			
5 years			
5.0%			
5.5%			
5.5%			
5% of the prior years balance			
First registered mortgage over the Property			
First ranking general security agreement over all present and after acquired property of the Borrower			
Total annual aggregate Management Rights income of \$100,000			

Source: Artsprin Admin Pty Ltd loan documents

6.4 Development Management Agreement

The Development Management Agreement (the **DMA**) provides for the Development Manager, to the best of its abilities, to oversee and report to the Owner the design, remediation, construction, completion and administration of the project.

The services are to be provided in return for:

- fixed fee of \$100,000, plus

¹ Herron Todd White's Review of Australia Residential Market, December 2021



- performance based fees tied to the timing of completion of the development and the sale prices of lots calculated as follows:
 - 1.5% of sales for sales settled on or before 31 December 2022 and
 - 0.5% of sales for sales settled on or before 30 June 2023.

The performance based revenue range is estimated between \$nil and \$2.5 million.

RPG estimates costs to perform the services per the DMA will approximate \$nil. The services will be provided by Mr J Raptis who has pledged to provide the DMA services to RPG for no consideration.

It is noted that the DMA provides a number of safeguards that limits RPGs risk in providing the services:

- provisions to limit the maximum liability to the Philadelphia to the fixed fee
- an indemnity and a release from the Owner to the full extent permitted by law, for all losses, damages, liabilities, actions, suits, claims, demands, costs and expenses which arise from the project.



7. Valuation Methodologies

7.1 Background

In order to assess the fairness of the Transactions, values need to be attributed to the Transaction Assets being acquired. We engaged Australian Valuers to provide an independent market valuation of the Transaction Assets, which was undertaken as follows:

- Gallery Valuation dated 17 September 2021 and issued on 11 January 2022 (the Gallery Valuation);
- Pearl Valuation 6 September 2021 and issued on 11 January 2022 (the Pearl Valuation).

(collectively the Valuation Reports).

We have used and relied on the Valuation Reports in assessing the fairness of the Transactions in respect of the Management Assets, noting that Australian Valuers:

- is a suitable valuation firm and has relevant management rights and property valuation experience;
- are independent from RPG, and all other parties involved in the Transaction;
- have employed recognised methodologies in the preparation of the valuation opinions;
- has provided and not withdrawn consent for the reference and inclusion of its Valuation Report in this report; and
- prepared on the basis of the Australian Property Institute and New Zealand Valuation Standards.

Nothing has come to our attention to conclude that its opinion is not reasonable. In our opinion the staff preparing and supervising the preparation of the report have sufficient skill, knowledge and experience to perform the valuations.

7.2 Standard of Value

The Valuations are based on Australian Valuers' opinion of the assets market values as at the Valuation Date. In accordance with the International Valuation Standards Committee (IVSC), the definition of market value is as follows:

"Market Value" is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

7.3 Premise of Value

The Manager's Unit and Manager's Offices have been valued on an unencumbered fee simple and unfurnished basis.

The Management & Letting Rights have been valued on a 'Going Concern' on a 'walk in, walk out' basis and includes any inventory, chattels, plant and equipment pertinent to the operation of the Management & Letting Rights business. A business is any commercial, industrial, service or investment entity pursuing



an economic activity. Businesses are generally profit-making enterprises operating to provide consumers with products or services. Closely related to the concept of business enterprise are the terms operating company, which is a business that performs an economic activity by making, selling or trading a product or service and going concern, which is an enterprise normally viewed as continuing in operation in the foreseeable future with neither the intention nor necessity of liquidation or of curtailing materially the scale of its operations.

The Valuations are prepared on the basis of an 'arm's length' transaction (as per Market Value Definition and Going Concern Definition in Sections 2.6 and 2.7) excluding any distress or urgency of sale. It is a critical assumption of this valuation that financial information as provided is true and correct.

7.4 Methodologies Selected

Australian Valuers has considered the most appropriate method of valuing the Transaction Assets to be as follows:

Management Rights

The Management Rights have been valued by Australian Valuers adopting a Capitalisation of Income Approach.

The Capitalisation of Income approach requires establishing the maintainable earnings (the Estimated NOP) and then capitalise the maintainable earnings by a multiplier factor, which it derived from market evidence as detailed in its reports.

As a secondary method, it analysed the adopted figure to reflect a Management & Letting Rights Value/Unit let, (i.e. the purchase price of the Management & Letting Rights divided by the number of units in the letting pool).

We have reviewed the Valuation Report and believe the selected valuation methodologies and the application of those methodologies to the valuation of the Transaction Assets are reasonable and appropriate for our reliance.

Manager's Apartments and Managers' Offices

The Manager's Apartment and Managers' Offices were valued by Australian Valuers adopting a direct comparison valuation method, whereby the value of similar strata titled office units within management rights complexes were compared to the subject properties.

As a cross check method, it analysed the adopted figure to reflect a dollar rate per square metre, i.e. the adopted rate divided by the on-title area.



8. Valuation Summary

The Transaction Assets were valued by Australian Valuers as follows:

Australian Valuers' Valuation Opinion Summary (\$)

	Notes	Valuation
	0.4	4 0 40 740
Gallery Managent Rights	8.1	1,343,710
Gallery Manager's Residence	8.2	900,000
Gallery Manager's Office	8.3	80,000
Gallery Management Assets		2,323,710
Pearl Management Rights	8.1	703,576
Pearl Manager's Office	8.4	80,000
Pearl Management Assets		783,576
Total Management Assets		3,107,286

Source: Australian Valuers' Gallery Valuation, The Pearl Valuation, RPG Notice Of Meeting, HCC analysis

We have reviewed the inputs used in determining the valuation of the Transaction Assets. Nothing has come to our attention which causes us to believe that the evidence and assumptions made by Australian Valuers do not provide reasonable grounds for the conclusions on the valuation of the Transaction Assets.

Further, our analysis of the market indicates that the market appears to have strengthened since the date of the valuations.

In undertaking the valuation, Australian Valuers undertook the following:

- Obtained relevant information for the Transaction Assets, including management rights agreements, title information and building plans.
- A physical inspection of the Gallery Residences and plans for the Pearl Residences.
- Market research to obtain relevant sales and leasing information from real estate agents and other market participants.

8.1 Management Rights Valuations

The Australian Valuers opinions adopted in our opinion to assess the fairness of the transactions are based on the assumed Letting Pool sizes of 20 for The Gallery Management Rights and 10 for the Pearl Management Rights as summarised in the Australian Valuers Alternate Values Matrix that assesses the values of the Management Rights depending on the actual number of units included in the Letting Pool.

The Management Rights valuation calculations are summarised as follows:



Australian Valuers' Management Rights Opinion Calculations

	Galle	ry Residences	Pearl Residences
Letting Pool (as at 31 December 2021)		20	10
NOP		257,761	191,444
Multiple		5.21	3.68
Australian Valuers Valuation Opinion	\$	1,343,710 \$	703,576

Source: Australian Valuers' Gallery Valuation page 48 and Pearl Valuation page 44

NOP Calculation Review

Note the Estimated NOPs calculated by Australian Valuers for the purpose of the valuation were based on the financial forecasts prepared by Crest Accountants originally based on Letting Pools of 40 for the Gallery Residences and 32 for the Pearl Residences which were then adjusted depending on the size of the Letting Pool.

We have reviewed the Estimated NOP's as per the valuations and conclude that:

- if the trading performance of the Gallery Residence to 31 December 2021 was to continue, it would likely exceed the Estimated NOP for a Letting Pool of 20; and
- the market appears to have improved since the Estimated NOP for the Pearl Management Rights was prepared.

There is a risk associated with forecasting future market rentals along with estimating the final percentage of lots within the onsite letting pool. There is an inherent risk that projections may not be achieved. Should this situation occur, then the value of the Management Rights Business will decline from that assessed.

NOP Multiple Review

The NOP Multiples were assessed by Australian Valuers based on its analysis of comparable transactions.

In addition to Australian Valuers' analysis, we have reviewed a number of management rights on permanent letting developments within Gold Coast and Brisbane areas that are currently advertised for sale as summarised below:



Comparable Management Rights Businesses for Sale as at 20 January 2022

							Remaining				
		Asking Price	Total	Owners	Letting	Letting	Term		NOP/Unit		Published
Location	Туре	(\$)	Units	Occupiers	Pool	Pool (%)	(years)	NOP (\$)	(\$)	ROI (\$)	Multiple
Main Beach QLD	Units - Permanent	2,672,046	190	0		8%	8	385,114	2,027	14%	6.0x
Mermaid Beach QLD	Apartments - Permanent	1,392,293	24	8	12	50%	20	168,454	7,019	12%	4.7x
Surfers Paradise QLD	Apartments - Permanent	1,147,000	35	4	18	51%	25	92,224	2,635	8%	4.3x
Southport QLD	Units - Permanent	1,150,000	50	31	17	34%	10	111,126	2,223	10%	N/A
Broadbeach QLD	Apartments	1,870,000	47	12	23	49%	19	264,000	5,617	14%	5.3x
Runaway Bay QLD	Apartments - Permanent	1,208,000	44	18	22	50%	23	650,000	14,773	54%	N/A
Arundel QLD	Units - Permanent	1,955,000	90	32	38	42%	22	240,000	2,667	12%	N/A
Surfers Paradise QLD	Apartments	1,198,000	25	11	13	52%	24	135,000	5,400	11%	4.4x
Broadwater QLD	Apartments	1,491,000	40	20	19	48%	23	200,175	5,004	13%	N/A
Burleigh Heads QLD	Apartments	130,000	15	0	2	13%	16	40,600	2,707	31%	3.2x
Palm Beach QLD	Apartments	1,340,000	30	0	17	57%	21	130,000	4,333	10%	4.0x
Surfers Paradise QLD	Units	1,235,000	39	14	14	36%	21	151,861	3,894	12%	N/A
Burleigh Heads QLD	Apartments	1,860,000	34	5	15	44%	10	194,938	5,733	10%	N/A
Main Beach QLD	Apartments	3,398,500	91	30	47	52%	25	428,331	4,707	13%	N/A
Burleigh Heads QLD	Apartments - Permanent	250,000	27	0	9	33%	19	61,500	2,278	25%	4.1x
Currumbin QLD	Apartments	1,345,000	36	0	9	25%	23	188,100	5,225	14%	3.0x
Bundall QLD	Apartments - Permanent	3,990,000	255	100	104	41%	19	530,000	2,078	13%	5.9x
Miami QLD	Apartments - Permanent	2,710,000	150	110	30	20%	23	322,000	2,147	12%	5.8x
Broachbeach QLD	Units - Permanent	842,000	24	0	4	17%	10	44,443	1,852	5%	18.9x
Burleigh Heads QLD	Apartments	1,775,000	62	21	26	42%	9	229,371	3,700	13%	N/A
Surfers Paradise QLD	Apartments	50,000	134	0	40	30%	13	180,000	1,343	360%	2.8x
Southport QLD	Apartment - Permanent	980,000	37	24	13	35%	9	85,181	2,302	9%	N/A
			High			57%	25	650,000	14,773	360%	18.9x
			Low			8%	8	40,600	1,343	5%	2.8x
			Median			41%	20	184,050	3,203	12%	4.4x
			Average			38%	18	219,655	4,076	31%	5.6x
			_								

Source: <u>www.theOnsiteManager.com.au</u>, Hall Chadwick Analysis

Note 1: The information was accessed on 20 January 2022

Note 2: The asking price is the vendor asking price as published on www.theOnsiteManager.com.au.

Note 3: The asking price solely relates to the asking price for the management rights

Note 4: The NOP per unit is calculated as net operating profit divided by total units

Note 5: The multiple or the multiplier is as per advertisement published on www.theOnsiteManager.com.au

Our observations in relation to the comparable transactions above:

- The advertised price does not necessarily reflect market value of the management rights. The data published in the table above is used as a guideline for the purpose of this report
- The asking price and published multiples appear to be impacted by a number of factors including Net Operating Profit, rate of return on the subject property, remaining term on the management rights agreement and number of units in the composition of the letting pool
- As at 31 December 2021 valuation date, Gallery Management Rights has a Letting Pool of 20 out
 of 108 units (a Letting Pool of 19% of total units) at the lower end of the observations in the
 schedule. Further, Gallery Management Rights has 24.5 years remaining in its caretaking
 agreements at the upper end of the observations in the schedule
- As at the valuation date, Pearl Management Rights had a Letting Pool of 10 out of 84 units (or a Letting Pool of 12% of total units). Further, Pearl Management Rights has 25 years remaining in its caretaking agreements at the upper end of the observations in the schedule
- The transactions guideline in the table above has an average and median multiples of 4.4x and 5.6x respectively, with high of 18.9x and low of 2.8x.



The data available in respect of current management rights businesses for sale appears to support the Australian Valuers opinion of the Market Value of the Gallery Management Rights and the Pearl Management Rights.

8.2 Gallery Manager's Apartment

The Gallery Manager's Apartment was valued by Australian Valuers at \$900,000 based on sales evidence of comparable transactions as detailed in the Gallery Valuation.

As a cross check, Australian Valuers analysed the adopted figure to reflect a dollar rate per square metre, i.e. the adopted value divided by the on-title area. The analysed sales range was between \$5,550 per sqm and \$9,170 per sqm (rounded). The Gallery Manager's Residence valuation reflected \$8,260 per sqm (rounded), a figure both within and supported by the body of analysed sales.

8.3 Gallery Manager's Office

The Gallery Manager's Office was valued by Australian Valuers at \$80,000 based on sales evidence of comparable transactions as detailed in the Gallery Valuation.

As a cross check, it analysed the adopted figure to reflect a dollar rate per square metre. The analysed sales range between \$1,000 per sqm and \$5,715 per sqm. The Pearl Manager's Lot valuation reflects \$5,000 per sqm, a figure both within and supported by the body of analysed sales.

8.4 Pearl Manager's Office

The Pearl Manager's Office was valued by Australian Valuers at \$80,000 based on sales evidence of comparable transactions as detailed in the Pearl Valuation.

As a cross check, it analysed the adopted figure to reflect a dollar rate per square metre. The analysed sales range between \$1,000 per sqm and \$5,715 per sqm. The Pearl Manager's Office valuation reflects \$3,077 per sqm, a figure both within and supported by the body of analysed sales.



Glossary of Defined Terms

Abbreviations	Definition
ASIC	Australian Securities and Investments Commissions
A\$, AU\$ or AUD	Australian Dollar
Artspring	Artspring Admin Pty Ltd (ACN 655 226 449)
AUS	Australian Auditing Standards (AUS)
CAANZ	Chartered Accountants in Australia and New Zealand
Corporations Act	Corporations Act 2001 (Cth)
СУ	Calendar year
DMA	Development Management Services Agreement
Earnings Multiple	Reflects required rates of return, risks inherent in the subject business, future growth expectations and alternative investment opportunities
EBIT	Operating Earnings Before Interest and Tax
EBITDA	Operating Earnings Before Interest, Tax, Depreciation and Amortisation
Fiscal Year	Accounting Year
Fair Market Value or Market Value	The amount that could be negotiated for an asset in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length
FME	Future Maintainable Earnings, which reflects the assessed representative earnings that may be achieved by the business in the future on an ongoing basis
FSG	Financial Services Guide
FY	Financial Year ended or ending 30 June
Gallery Management Assets	The Gallery Management Rights, Gallery Manager's Office and Gallery Manager's Residence
Gallery Management Rights	Gallery Caretakers Agreement, Letting Agreement and other assets necessary to operate the Gallery Management Rights business held by the Gallery Trust
Gallery Manager's Office	Lot 801, 28-30 Second Avenue, Broadbeach Queensland
Gallery Manager's Residence	Lot 1, 28-30 Second Avenue, Broadbeach Queensland



Abbreviations	Definition
Gallery Trust	Raptis Gallery Management Trust ABN 99 787 057 295
Gallery Valuation Report	The Australian Valuers' valuation reports dated 17 September 2021 in respect of the Gallery Management Assets
GMS	Gallery Management Services Pty Ltd (ACN 648 345 297)
НСС	Hall Chadwick Corporate Finance (Vic) Pty Ltd
IBISWorld	Industry market researchers <www.ibisworld.com></www.ibisworld.com>
Investor	A Lot Owner
Kyros	Kyros Stage 3 Pty Ltd (ACN 618 217 977)
Letting Agent	As appointed pursuant to the Letting Agreement
Letting Pool	The number of properties available to be let (that is properties owned by investors)
M or \$m	Million
MA Deed	Management Arrangements Deed
Management Assets	The Gallery Management Assets and the Pearl Management Assets collectively
Management Rights	The Caretakers Agreement and Letting Agreement
Manager/Caretaker	As appointed under the Caretakers Agreement
Non-Associated Shareholders	Shareholders of RPG other than those associated with the proposed Transactions
NOP	For the purpose of this clause Net Operating Profit shall be calculated by deducting from the gross income for the business for the relevant period the actual expenses of operating the business for that period (in particular excluding depreciation, borrowing expenses, interest on borrowings and any payment of labour related to work which would be performed by a two person resident management team)
NPAT or Net Profit	Net Profit After Tax
Pearl Management Assets	The Pearl Management Rights and the Pearl Manager's Office
Pearl Management Rights	Pearl Residences Caretakers Agreement and Letting Agreement
Pearl Manager's Office	Lot 13,550-3,552 Maine Beach Parade, Main Beach Queensland



Abbreviations	Definition
Pearl Trust	Raptis Pearl Management Trust, settled on 21 January 2022
Pearl Valuation Report	The Australian Valuers' valuation reports dated 6 September 2021 in respect of the Pearl Management Assets
Philadelphia	Philadelphia Developments Pty Ltd (ACN 614 829 551)
PMS	Pearl Management Services Pty Ltd (ACN 648 345 340)
Raptis Resorts	Raptis Resorts Pty Ltd
Rev	Revenue
RG	Regulatory Guide
RPG	Raptis Group Limited
Shareholders	Ordinary equity holders of company
Transaction Assets	The Management Assets and the DMA collectively
Transactions or Proposed Transactions	The acquisition of the Management Assets and the entering into the Development Agreement
Valuation Reports	Gallery Valuation Report and Pearly Valuation Report collectively



APPENDIX A - SOURCES OF INFORMATION

Gallery Management Rights & Real Property

- Gallery Management Rights
 - Appointment of Nominee and Resignation of Principal
 - Caretaking Agreement
 - Facilitator Fee Agreement
 - Letting Agreement
 - Management Arrangement Deed
 - Resolution by Director on 10 November 2021
- Gallery Manager's Residence
 - Disclosure Statement
 - Annexure A Special Conditions to Lot 801 Contract
 - Contract of Sale of Lot 801 of the Gallery Residences
- Gallery Manager's Office
 - Disclosure Statement
 - Draft of Contract for Commercial Lots in a Community Titles Scheme
 - Annexure A Special Conditions to Office Contract
- Gallery Management Trust Deed

Pearl Management Rights & Real Property

- Pearl Management Rights
 - Caretaking Agreement
 - Letting Agreement
 - Management Rights Procurement Agreement
 - Form 6 Property Occupations
- Pearl Manager's Office
 - Contract of Sale of Pearl Main Beach Community Titles Scheme
 - Disclosure Statement of Pearl Main Beach Community Titles Scheme
- Pearl Manager's Loan Suite
 - Loan Facility Deed
 - Mortgage Form for Lot 1 on SP 317763
 - General Security Deed
 - Mortgage Form 2 for Lot 1
- Pearl Management Trust Deed



Development Management Agreement

- Development Management Agreement for 3550 Main Beach Parade
- Letter from Mr James Raptis to Hall Chadwick Corporate (VIC) Pty Ltd dated 10 January 2022

Raptis Group Limited

- Annual Report year ended 30 June 2021
- Draft half year report for the 6 months ended 31 December 2021
- Notice of General Meeting on 10 March 2022
- Explanatory Statement
- Voting Exclusion Statement regarding Management Rights and Loan Funds

Research and Information Relied Upon

- HCC's Research on Management Rights in Gold Coast's real estates
- HCC's Research on Interest Rates
- Herron Todd White's Review of Australia Residential Market, December 2021
- JLL Apartment Market Overview Australia Q2 2021
- IBIS World's Industry Reports on:
 - Multi-Unit Apartment and Townhouse Construction in Australia, May 2021
 - Residential Property Operators in Australia, August 2021
 - Residential Property Leasing and Management in Australia, January 2021



APPENDIX B – INDUSTRY OVERVIEW

RPG competes broadly in the residential real estate industry, in particular:

- Multi-Unit Apartment and Townhouse Construction
- Residential Property Leasing and Management

The Multi-unit Apartment and Townhouse Industry, which is valued at \$35.1 billion in FY21², comprised of industry firms that construct and develop multi-unit apart and townhouse buildings. This industry includes firms that organise or manage multi-unit apartment and townhouse construction.

Industry players in the Residential Property Leasing and Management industry lease and manage real estate, or other properties they do not own, on behalf of their clients.

Apartment Market

The JLL Apartment Market Overview Australia report found that Australia's economic rebound has sustained the housing market recovery as the impact of Australian Federal Government stimulus measures came to an end. Labour markets were stronger than anticipated at the beginning of FY22 and GDP annual growth was positive in the first quarter of 2021 calendar year. The rebound was led by strong consumption and investment by the private sectors. However growth has been disrupted by the impacts of the Omicron Covid-19 variant.³.

Australia's housing market rebound during the Covid-19 period was driven by owner-occupiers capitalising on record low interest rates and a range of Federal and State government incentives. However, the apartment market has lagged in the broader housing market recovery, in particular off-the plan apartment sales due to subdued foreign and domestic investors demand.

The closure of borders and absence of migration and foreign students have adversely affected the Sydney and Melbourne apartment markets. These markets experienced a much larger and later construction cycle compared to other cities. Developers experienced strong competition with residual unsold apartment stock from the last supply cycle. As a result, the rental market in the city areas are the weakest in decades, although there are some signs of improvements in rent growth as vacancy tightens.

Other markets, led by Gold Coast and Perth, are experiencing a stronger lift in pre-sales activity. Rental markets in other cities are experiencing tight rental vacancy. Rental growth has been building to strong levels over the last 12 months.

Across all major cities, dwelling prices (including apartments) have experienced year on year average increase of 15.25% in the second quarter of 2021 calendar year. The increase reflects the strength of owner occupier demand for detached housing.

² Multi-Unit Apartment and Townhouse Construction in Australia, May 2021

³ JLL Apartment Market Overview Australia Q2 2021



According to Corelogic & JLL Research (JLL), apartment prices in Canberra had grown by 10% (year on year), followed by Perth of 9.6% and Sydney 7.6%. Brisbane apartment prices have experienced a year on year growth of 7%.

Rental markets continue to improve with Sydney and Melbourne's rental markets being the softest since the beginning of Covid-19. Nevertheless both markets have recovered over recent months particularly Sydney.

JLL reported that all markets will eventually face strong medium term rental pressures over the next 3-5 years as demand recovers absorbing current supply but the Sydney and Melbourne apartment market will not fully recover to pre-pandemic levels until borders reopen.

Herron Todd White reported in its Month in Review, December 2021 publication that "the 2021 residential property market in Australia has been characterised by some of the strongest conditions that we have ever seen". It also reported that "there were no signs to suggest the Gold Coast property market will be slowing down."⁴

Residential Property Leasing and Management

The primary activities in the Residential Property Leasing and Management industry are residential property management and leasing which includes management and leasing of flats, units and apartments. Property managers primarily manage rental households and tenants on behalf of land lords, and charge commission fees typically based on a percentage of rental income.

IBISWorld estimates that industry revenue of \$5.5 billion in FY21 (an annual fall of 1.2% per annum in real terms over the five years through to FY21)⁵. The outbreak of Covid-19 has caused volatile demand conditions and had an impact on revenue over the two years through FY21, driving an overall decline in revenue over the five-year period.

JLL reported improvement in overall rental markets since the Covid-19 pandemic hit. Sydney and Melbourne's rental markets experienced the lowest growth due to closed borders and lack of flow of migrants and students. In particular, vacancies remain higher in and around major CBD of Sydney and Melbourne (compared to other capital cities).

In the short term (over the next 12 months), JLL reported that new apartment supply will continue to fall due to difficulty for developers to commence new projects, in particular larger projects with long lead times. Increased demand will be met by lower levels of new supply once borders reopen.

JLL anticipates all rental markets will eventually experience strong medium-term rental pressures over the next 3-5 years. In particular, apartment markets are expected to gain more momentum once borders re-open and more migrants and students start flowing back to Australia. However, threats of Delta and Omicron variants may put the timing of borders opening at risk.

⁴ Herron Todd White's Review of Australia Residential Market, December 2021

⁵ Residential Property Leasing and Management in Australia, January 2021



IBISWorld forecast a marginally growth of 2.3% over the next five years through 2025-25 to reach \$6.2 billion supported by demand for rental properties due to lower housing affordability and as property prices increase once border reopens and migration resumes.



APPENDIX C – AUSTRALIAN VALUERS REPORT – GALLERY MANAGEMENT ASSETS

LOCATION: "THE GALLERY RESIDENCES", LOT 801, 28-30

SECOND AVENUE, BROADBEACH, QLD, 4218

DATE OF REPORT: 17 SEPTEMBER 2021

PREPARED FOR: THIS REPORT HAS BEEN PREPARED FOR THE SOLE

AND EXCLUSIVE USE OF RAPTIS GROUP LIMITED AND HALL CHADWICK CORPORATE (VIC) PTY LTD FOR INCLUSION AS AN APPENDIX TO THE INDEPENDENT EXPERT REPORT TO BE CIRCULATED WITH THE NOTICE OF MEETING AND EXPLANATORY MEMORANDUM TO RAPTIS GROUP SHAREHOLDERS

AND SHOULD NOT BE USED OR RELIED UPON FOR

ANY OTHER PURPOSE





MANAGER'S UNIT AND

MANAGEMENT & LETTING RIGHTS VALUATION REPORT

www.australianvaluers.com.au



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1. BRIEF SUMMARY



Name	The Gallery	Manager's Unit	Value	\$980,000		
Address	801/28-30 Second Avenue,	M&L Rights Val	ue	\$1,790,000		
	Broadbeach, QLD, 4218	Total Value		\$2,770,000		
Туре	Apartment complex	Valuation Date	Valuation Date		2021	
Build Date	Circa September 2021	NOP	NOP /Unit Let		\$8,590	
Units Let	40 (37%)	BC Salary	/Total Lot	\$171,936	\$1,577	
Total Lots	109	NOP Ex BCS	/Unit Let	\$171,650	\$4,291	
Use	Short-term & Long-term let	Multiplier	Multiplier			
Agreements	25 years to run	Return On Inve	Return On Investment 12			
Regulation Module	Accommodation	Business Type		Start-Up		

"The Gallery" comprises a modern high-rise complex situated within the established residential suburb of Broadbeach, which along with Surfers Paradise, forms a tourism hub for the Gold Coast. Broadbeach incorporates the Conventional Centre, Pacific Fair Shopping Centre and Jupiter's Casino. The subject complex has frontages to Capricornia Avenue, Federation Avenue and Surf Parade, being located opposite the Federation Park within walking distance to a patrolled beach area.

The complex is made up of 2 and 3 bedroom apartments. The proposed business is made up of 10 short term let unit, 30 long term let units, 67 owner occupied or externally let units, Manager's Residence Unit and Manager's Office.

The Manager's Office/Reception facility (Lot 1) is situated on the ground level of the complex. It comprises a functional reception area and a rear office. The lot is of 16 sqm.

Common facilities: Foyer, basement car parking, rooftop recreational area incorporating swimming pool, spa, gymnasium, barbeque and recreational area and a function room.

Refer to Alternate Values Matrix in section 7.4 of the report which provides various scenarios depending on how many letting appointments are secured. Should the actual letting pool be lower than the projected letting pool of 32 units, the lower assessed value should be adopted.



1.1 KEY NOTATIONS

- The Manager's Unit and Management & Letting Rights business is being valued for the sole and exclusive
 use of Raptis Group Limited and Hall Chadwick Corporate (VIC) Pty Ltd for inclusion as an appendix to the
 Independent Expert Report to be circulated with the Notice of Meeting and Explanatory Memorandum
 to Raptis Group Shareholders and should not be used or relied upon for any other purpose.
- 2. The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. We have seen global financial markets and travel restrictions and recommendations being implemented by many countries, including Australia. The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation, we consider that there is a significant market uncertainty. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

The current COVID-19 crisis had an immediate 6-12 months restriction on trade within the general business economy. Our assumption from continued government media updates is that 2021 and beyond will be a recovery period.

- 3. Our Valuation is provided on the basis of an 'arm's length' transaction (as per Market Value Definition and Going Concern Definition in Sections 2.6 and 2.7) excluding any distress or urgency of sale. Should the Lender however require a Valuation of the Management and Letting Rights real estate and business taking into account a 'distressed' sale situation we require the right to review and/or amend our Valuation.
- 4. The Manager's Unit and Management & Letting Rights business are not subject to any contracts of sale.
- 5. It is a critical assumption of this valuation that financial information as provided is true and correct.

The Management & Letting Rights valuation assessment has been made with reliance upon the Financial Verification Report prepared by Paul Shannon of "Crest Accountants" dated 15 July 2021 for the 12-month period ending 30 September 2022. We have adopted projections for "normalised" "normal ongoing year" of operation (once the complex has matured through a start-up phase).

The Accountant arrives at a Net Operating Profit (NOP) of \$343,586 which is based upon 40 lots let.

There is a risk associated with forecasting future market rentals along with estimating the final percentage of lots within the onsite letting pool. There is an inherent risk that projections may not be achieved. Should this situation occur, then the value of the Management Rights Business will decline from that assessed.

- 6. The adopted NOP is made up of \$363,966 Gross Income and of \$20,380 Operating Expenses. The Gross income is made up of \$192,030 (or 53%) from the letting component and \$171,936 (or 47%) from the caretaking component.
- 7. The analysed market data supports the NOP of \$343,586 therefore we have adopted the same for valuation purposes. It is a critical assumption that the subject complex is fully operational.



- 8. The Reviewing Accountant made an assumption that there would be 40 Letting Appointments in place (10 short term letting pool and 30 long term letting pool). It is a critical assumption of this valuation that the letting component would be made up of 40 valid and assignable letting appointments. Each letting appointment is between the individual lot owner and the on-site manager. Any intending financier should confirm that the number of valid and assignable letting appointments in place prior to advancing funding.
- 9. We have received copies of 9 executed Form 6s to date (606, 806, 901, 905, 1303, 1404, 1406, 1704 and 203) provided to us by Mr Malcolm Cory of "Raptis Group" (email dated 10 September 2021).
- 10. We have been provided with a copy of pre-sales schedule named "Purchaser Details the Gallery" by Mr Malcolm Cory of "Raptis Group" (email dated 10 September 2021). Based on this schedule, a total of 26 units have been pre-sold to investors, 54 unit have been pre-sold to owner occupiers (incl. Lot 801), and 28 units remain unsold (and could be purchased by investors or owner occupiers).

Based on this information, the projected number of units in the letting pool (40) appears to be achievable. However, the possibility remains that a number of available units would be sold to owner occupiers.

There is also a possibility of some units purchased by investors will be given to an outside agent for management.

Status of units	Comm	Units	TOTAL	%
Pre-sold to investors		26	26	24%
Pre-sold to owner occupiers		54	54	50%
Unsold (no information provided)	1	28	29	27%
Total Units	1	108	109	100%

- 11. We requested but have not been provided with information about current rents achieved within "The Gallery".
- 12. In order to assess the risk should any units be lost, we have calculated the value of a unit in the letting pool to be \$22,315/letting unit (rounded) based on the adopted NOP, excluding the Body Corporate Salary and adopted multiplier. Any loss or reduction of units will result in a reduced value of the MLR business by the letting unit rate, multiplied by the number of units lost from the pool.
- 13. We have been provided with unexecuted proposed Survey Plan, Community Management Statement, Caretaking Agreement and Letting Agreement for the complex. Our assessment is based upon these documents being executed as outlined within this report. This valuation is also subject to the completion of all specified works in line with council approved plans and a certificate of occupancy issued for all units. If this proves to be incorrect, we reserve the right to review/amend our valuation report and figures herein.
- 14. We requested but have not been provided with any plans confirming the allocation of exclusive use areas to Lot 801. It is a critical assumption of this valuation that this lot has a single exclusive use car parking space.
- 15. We have not been provided with any information about rental guarantees. It is a critical assumption of this valuation that the Developer, and not the incoming Manager, is responsible for payment of any rental guarantees.



- 16. The management & letting rights business is made up of a letting component and a caretaking component. The letting agreement allows the on-site manager to provide a letting service to each individual lot owner within the complex. The caretaking agreement notes the remuneration for the performance of duties. The caretaking and letting agreements are between the body corporate and the on-site manager.
- 17. We are not accountants and therefore if an independent accountant's report verifying the net operating profit suggests something different from the numbers as stated, we reserve the right to both review and/or amend this valuation report herein.
- 18. Management & letting rights businesses and more particularly the individual lots within the letting pool are often the target of local property management agents. This may potentially cause an erosion of income to the business. This valuation assessment has been made on the basis that the lots in the letting pool as stated, remain constant.
- 19. The achievable market value of any management & letting rights business is based entirely upon prudent and quality management by the operator. This includes but is not limited to: maintaining a good working relationship with the body corporate and particularly the committee; maintaining good soft and hard copy records, particularly the letting appointments; conducting the duties as outlined within the caretaking and letting agreements and often going further than what's simply stated.
- 20. It is a critical assumption that there are no outstanding issues between the current manager and/or the body corporate and/or individual owners, which may impact on the management of the complex or the letting of individual lots. If the reliant party becomes aware of any significant outstanding issues not disclosed to us, this valuation must not be relied upon before first consulting with Australian Valuers to reassess any effect on the valuation.
- 21. In reliance upon this report, we strongly suggest to the reader that the report be read in its entirety.



1.2 SWOT ANALYSIS

Strengths

- Well-presented modern complex located in Broadbeach.
- Extensive and well-presented recreational facilities.
- 25 years to run on management agreements which is advantageous to the business as management & letting rights business is a diminishing asset.
- Single Body Corporate.

Weaknesses

- There is a risk associated with forecasting future market rentals along with estimating the final percentage
 of lots within the onsite letting pool. There is an inherent risk that projections may not be achieved.
 Should this situation occur, then the value of the Management Rights Business will decline from that
 assessed.
- Relatively expensive real estate component (Lot 1 and Lot 801), which reduces an overall return on the investment.
- Total proposed operating expenses are slightly below the range of industry expectations for comparable complexes.
- The majority of proposed income is generated by letting component (as opposed to the caretaking component).

Opportunities

 Procurement of the units not within the letting pool by marketing to owners and negotiating competitive management fees for those lots currently with external agents.

Threats

- Continued State lockdowns and border closures over the remainder of 2021 and into 2022 as further waves of COVID-19 variants are located within the community.
- Outside agents competing for current units let at competitive management fees and charges.
- High level of comparable competition within the immediate vicinity.
- Any potential issues which may be experienced by the Manager in dealing with the Body Corporate and/or individual unit owners within the complex.
- Southeast Queensland, Queensland and/or Australian economic conditions changing.
- Decrease in the number of lots within the letting pool for reasons beyond management's control (i.e. lots being sold to owner-occupiers).

Risk Analysis

Property Risk Ratings	1	2	3	4	5	Market Risk Ratings	1	2	3	4	5
Location & Neighbourhood:		х				Recent Market Direction (price):			х		
Land (incl. Planning, title):		х				Market Volatility:				х	
Environmental Issues:		х				Local Economy Impact:			Х		
Improvements:		х				Market Segment Conditions:			х		
*Risk Ratings: 1 = Low 2 = Low to Medium 3 = Medium 4 = Medium to High 5 = High											

Comments made on risk ratings of "3", "4" or "5" as follows:

Recent Market Direction (price)

The management rights market experienced a strong uptrend in buyer activity after a low point in 2013 to reach a peak in 2017. The market then plateaued over 2018 and remained steady during 2018 to early 2019. Over late 2019 the market recorded historically high multipliers for management rights businesses as sales and stock levels remained tight and the number of buyers increased. This trend was temporarily suspended between March and June 2020 due to the sudden coronavirus outbreak however recent transactions indicate



the management rights market has been rather resilient with minimal effect on permanent business multipliers. Initial indications are that the strength of the permanent management rights market has continued into 2021 aided by historically low business lending rates.

It appears that the businesses netting above \$200,000 are in high demand and attract strong multipliers. Various agents call it a "seller's market". Historically high multipliers continue to be paid for high netting businesses in advantageous locations, which are viewed as scarce product. We note that Vendor price expectations remain high. Businesses netting less than \$200,000 are generally attractive to the first-time buyers. Various agents call it a "buyer's market", considering the current economic climate. Given our outlook on the current market, we would recommend caution be exercised.

Market Volatility - COVID-19 (Coronavirus)

The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. We have seen global financial markets and travel restrictions and recommendations being implemented by many countries, including Australia. The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation, we consider that there is a significant market uncertainty. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

Our assumption from continued government media updates is that the current COVID-19 crisis has an immediate 6-12 months restriction on trade within the general business economy. Following this, a recovery period for at least a further 12 months and beyond is expected.

Local Economy Impact

Various agents report longer marketing period.

Market Segment Conditions

An increased amount of refusals to consent to an assignment by the Body Corporates has been reported. We have observed that despite having a high number of offers to choose from, some Vendors prefer to select the most experienced operator who would be easier to train and would likely have a better chance of getting Body Corporate's approval. Refer to section "Market Commentary" in this report for details.

Limited comparable recent sales data is available for the businesses of such size (i.e. within last 6 months).

Off the Plan

The improvements are to be constructed and should the property be sold prior to the completion of construction an amount less than the cost of construction is likely to be realised.



Instructed By

The Manager's Unit and Management & Letting Rights business is being valued for the sole and exclusive use of Raptis Group Limited and Hall Chadwick Corporate (VIC) Pty Ltd for inclusion as an appendix to the Independent Expert Report to be circulated with the Notice of Meeting and Explanatory Memorandum to Raptis Group Shareholders and should not be used or relied upon for any other purpose.

Instructions

The Manager's Unit and Management & Letting Rights business have been valued for Financial Reporting Purposes as at 17 September 2021.

Previous Sale

Off the plan.

Real Property Description

Manager's Unit: Lot 801 Survey Plan 313520.

Registered Owner

Manager's Unit: Kyros Stage 3 Pty Ltd A.C. N. 618 217 977. Management & Letting Rights Business: Not specified.

Suitability As Security

This report is not to be used for Mortgage Security nor will it be assigned for Mortgage Security. Furthermore, no responsibility is accepted for any third party which may use or rely upon the whole or any part of the contents of this report.

Reporting Requirement Statements

- We certify that this valuation type is not precluded under the terms of our current professional indemnity insurance.
- We confirm that the property has been identified by reference to the Registered Plan.
- The insurance replacement cost for the complex is the responsibility of the Body Corporate.
- We would consider the assessed values are achievable within a 3 to 6 month period provided both an appropriate and well-funded marketing campaign and experienced Management & Letting Rights Agent(s) are employed.
- We confirm that the Valuer nor Australian Valuers has no conflict of interest in the property, [Intentionally Deleted].

Prepared by:- AUSTRALIAN VALUERS

Per: Ekaterina Ivandikova AAPI CPV

Queensland Registered Valuer No. 3929MR



2. INTRODUCTION

2.1 SUBJECT PROPERTY

Lot 801, "The Gallery", 28-30 Second Avenue, Broadbeach, QLD, 4218.

2.2 DATE OF INSPECTION AND VALUATION

17 September 2021.

2.3 INSTRUCTIONS

The Manager's Unit and Management & Letting Rights business is being valued for the sole and exclusive use of Raptis Group Limited and Hall Chadwick Corporate (VIC) Pty Ltd for inclusion as an appendix to the Independent Expert Report to be circulated with the Notice of Meeting and Explanatory Memorandum to Raptis Group Shareholders and should not be used or relied upon for any other purpose.

2.4 INTEREST VALUED

The Manager's Unit has been valued on an unencumbered fee simple and unfurnished basis. The Management & Letting Rights Business has been valued on a 'Going Concern' on a 'walk in, walk out' basis and includes any inventory, chattels, plant and equipment pertinent to the operation of the Management & Letting Rights business.

2.5 BASIS OF VALUATION

The Valuation has been prepared on the basis of the Australian Property Institute and New Zealand Valuation Standards.

2.6 MARKET VALUE DEFINITION

In accordance with the International Valuation Standards Committee (IVSC), the definition of market value is as follows:

"Market Value" is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

However, real estate values vary from time to time in response to changing market circumstances and it should therefore be noted that this assessment of value is based on the facts and evidence as they existed as at the date of valuation and no warranty can be given as to the maintenance of this value into the future. It is therefore recommended that the valuation be reviewed periodically.

2.7 GOING CONCERN DEFINITION

A business is any commercial, industrial, service or investment entity pursuing an economic activity. Businesses are generally profit-making enterprises operating to provide consumers with products or services. Closely related to the concept of business enterprise are the terms operating company, which is a business that performs an economic activity by making, selling or trading a product or service and going concern, which is an enterprise normally viewed as continuing in operation in the foreseeable future with neither the intention nor necessity of liquidation or of curtailing materially the scale of its operations.



2.8 REAL PROPERTY DESCRIPTION

Lot 1 Manager's Office

Proposed contribution: 1 out of 1,081 Proposed interest: 18 out of 59,708



Registration Confirmation Statement

Queensland Titles Registry Pty Ltd ABN 23 648 568 101

Lodger Code: GC GC226

HOLT LAWYERS PO BOX 1 SURFERS PARADISE QLD 4217

Title Reference:	51261459
Lodgement No:	5153660
Office:	GOLD COAST

Our Reference: 41062

This is the current status of the title as at 14:29 on 01/09/2021

ESTATE AND LAND

Estate in Fee Simple

LOT 1 SURVEY PLAN 313520

Local Government: GOLD COAST

COMMUNITY MANAGEMENT STATEMENT 54683

REGISTERED OWNER

Dealing No: 721034168 23/08/2021

KYROS STAGE 3 PTY LTD A.C.N. 618 217 977

EASEMENTS, ENCUMBRANCES AND INTERESTS

- Rights and interests reserved to the Crown by Deed of Grant No. 14355082 (ALLOT 8 SEC 5) Deed of Grant No. 15942092 (ALLOT 7 SEC 5)
- MORTGAGE No 719868190 28/01/2020 at 13:11 DCG DEVELOPMENT CAPITAL PTY LTD A.C.N. 140 220 677 TENANT IN COMMON 1/2 SPA INVESTMENTS PTY LTD A.C.N. 134 314 631 TENANT IN COMMON 1/2

ADMINISTRATIVE ADVICES

NIL

UNREGISTERED DEALINGS

NIII

Caution - Charges do not necessarily appear in order of priority

** End of Registration Confirmation Statement **

Registrar of Titles and Registrar of Water Allocations



Lot 801 (Manager's Unit)

Proposed contribution: 10 out of 1,081 Proposed interest: 675 out of 59,708



Registration Confirmation Statement

Queensland Titles Registry Pty Ltd ABN 23 648 568 101

Lodger Code: GC GC226

HOLT LAWYERS PO BOX 1

SURFERS PARADISE QLD 4217

Title Reference:	51261496
Lodgement No:	5153660
Office:	GOLD COAST

Our Reference: 41062

This is the current status of the title as at 14:29 on 01/09/2021

ESTATE AND LAND

Estate in Fee Simple

LOT 801 SURVEY PLAN 313520

Local Government: GOLD COAST

COMMUNITY MANAGEMENT STATEMENT 54683

REGISTERED OWNER

Dealing No: 721034168 23/08/2021

KYROS STAGE 3 PTY LTD A.C.N. 618 217 977

EASEMENTS, ENCUMBRANCES AND INTERESTS

- Rights and interests reserved to the Crown by Deed of Grant No. 15942092 (ALLOT 7 SEC 5)
- MORTGAGE No 719868190 28/01/2020 at 13:11 DCG DEVELOPMENT CAPITAL PTY LTD A.C.N. 140 220 677 TENANT IN COMMON 1/2 SPA INVESTMENTS PTY LTD A.C.N. 134 314 631 TENANT IN COMMON 1/2

ADMINISTRATIVE ADVICES

NIL

UNREGISTERED DEALINGS

NIL

Caution - Charges do not necessarily appear in order of priority

** End of Registration Confirmation Statement **

Registrar of Titles and Registrar of Water Allocations



2.9 LOCATION

Distance from Surfers Paradise CBD:

Distance from Gold Coast Airport:

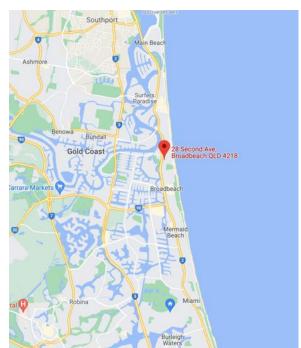
3.3 kilometres south-east
20 kilometres north

"The Gallery Residences" complex is located within Broadbeach, which is a major tourism hub on the Gold Coast. The subject complex is situated on the southern side of Second Avenue, approximately 75 metres east of its intersection with the Gold Coast Highway. The complex is located within short walking distance of the patrolled beach area.

Surrounding development comprises numerous service apartments of various standard, apartment buildings and dwellings of various age and presentation, Broadbeach Bowls Club, Broadbeach Surf Lifesaving Club, Nikiforides Family Park, Surfers Paradise Rotary Park.

Local buses frequently service the area. The nearest train station (Florida Gardens) is situated approximately 350 metres (4 minutes walking distance) north-west from the subject complex.





Source: Google Maps

Source: Google Maps



2.10 PARENT PARCEL LAND DESCRIPTION AND SERVICES

Description: Regular in shape with good building contours.

Services: Water, sewerage, gas, electricity and telephone are connected to the

complex.

Vehicle Access: Via Second Avenue.

Local Authority: City of Gold Coast.

Classification/Zoning: High Density Residential under City Plan 2016.

Current Business Use: Residential.

Town Planning The subject business use appears to comply with the current zoning.

Flooding

The parent parcel is situated outside a potential flood inundation area as identified by the Gold Coast City Council. If you have further enquiries in this regard, we recommend that you or the borrower obtain a formal flood search.

Asbestos

Given the complex was constructed post 1990, we suggest they are likely to be free of asbestos products. During our limited site inspection, we did not observe any evidence of asbestos containing materials. If an experts report reveals something contrary to this opinion, we reserve the right to review/amend this report herein.

Heritage

The subject site is not affected by any heritage overlay.

Statutory Requirements

Our valuation has been undertaken on the assumption that the complex complies with the full requirements of the law including the current zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all authorities and that there are no outstanding requisitions.

We have not sighted any town planning approvals for the subject property. Our assessment is based on the assumption that all improvements have been approved by relevant authorities.

Non-Conforming Building Products Audit

The QBCC website advises the 'Non-Conforming Building Products Audit' must be completed for buildings which are: Class 2 to 9 of a Type A or B construction or have had the cladding altered after 1 January 1994 but before 1 October 2018. During our limited site inspection, we did not observe any evidence of cladding.



2.11 ASSUMPTIONS & LIMITATIONS

- 1 We certify that we have inspected the subject complex as described in this report.
- We are unaware of any potential road widening or zoning amendments together with any outstanding orders served or proposed upon the properties that may affect the value. We assume for the purposes of this report that the properties are free of these possible encumbrances.
- 3 That the property complies with all statutory requirements with respect to Occupational Health & Safety, Building and Fire safety regulations.
- 4 As we are not surveyors we cannot guarantee that there is encroachment by or over the subject property by adjoining properties.
- We have carried out an inspection of the exposed and readily accessible areas of the improvements. However, the Valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness of the improvements. Readers of this report should make their own enquiries.
- This report does not make any allowance for contamination of the land that may have occurred as a result of past usage and should any pollution or contamination be found to exist, the report should be referred back to the valuers for reappraisal.
 - We recommend that the reader satisfy themselves as to the extent of any contamination on the site and the costs associated with the clean-up of that contamination or pollution to the satisfaction of EPA requirements for the site.
- 7 That any imported fill was/is not contaminated.
- Whilst we have taken every reasonable care both during our inspections of the properties and in making relevant enquiries, we have not undertaken or requested a search of the Body Corporate records, conducted a Written Flood Search or Written Town Planning Certificate or an Identification Survey by a Licensed Surveyor, Main Roads Search or Soil Survey.
 - If these or other searches reveal any issue that may detrimentally affect the values or properties as stated, then the matter should be forwarded to the Valuer for further comment and/or amendment of this document.
- 9 We state that this report is for the use only of the party to whom it is addressed and to their mortgage insurer, if any. The report is to be used for no other purpose and no responsibility is accepted to any third party for the whole or part of its contents.
- I hereby certify that I personally inspected the property on the date stated in this report and have carried out the assessments as at that date. Neither I, nor to the best of my knowledge, any member of this firm, has any conflict of interest, or direct, indirect or financial interest in relation to this property that is not disclosed herein.
- This Report is for the use only of the party/s to which it is addressed for first mortgage purposes only and is not to be used for any other purpose. No responsibility is accepted or undertaken in the event that the party/s to which it is addressed, use this Report for any other purpose apart from that expressly outlined above. No responsibility is accepted or undertaken to third parties without prior written approval from the Valuer. [Intentionally Deleted].
- 12 Limited Liability Scheme Liability limited by a scheme approved under Professional Standards Legislation.
- Solicitor Lender This valuation is not extended for the use of any Solicitor Lender which includes any Solicitor involved in arranging, controlling, managing, broking or otherwise inducing the lending on money on mortgage security.
- 14 Managed Investment Scheme This valuation is not to be used in connection with a managed investment scheme.
- Our assessment of the market values for the subject business is made on a GST exclusive basis and we have not taken into consideration the tax status of the parties concerned.
- The Management & Letting Rights business sale evidence is not available on Government records, the details are verbally advised by a selling agent. If any sales evidence proves to be incorrect, we reserve the right to both review and/or amend this report herein.
- 17 This report assumes the complex is fully operational, has a minimum Net Operating Profit of \$343,586 and a minimum of 40 units in the letting pool.



3. COMPLEX DESCRIPTION

TypeThe subject complex comprises a modern high-rise apartment

complex featuring 108 apartments and a Manager's Office Lot. The complex has 22 residential levels, ground level and 3 basement

levels.

Age Circa September 2021.

Construction

Floors: Concrete

External Walls: Render on masonry

Internal Walls: Render on masonry and plasterboard

Window Frames: Aluminium

Common facilities

Foyer, basement car parking, rooftop recreational area incorporating swimming pool, spa, gymnasium, barbeque and recreational area and a function room.

Condition

We have not carried out a structural survey, nor have we tested any of the services or installations and we are therefore unable to state that the building is free from defect. However, we have inspected the exposed and accessible parts of the property and have reflected the obvious condition and repair of the improvements as at the date of our inspection.

Major Refurbishments

The complex is under construction.

Presentation of the letting pool

We inspected sample units in the letting pool which were in good condition in line with market expectations for similar properties (Units 505 and 506). Refer to photos.

Sinking & Administrative Fund Balances

Not provided.



Swimming pool



Our Reference: 41062

Swimming pool



Rooftop recreational area



Proposed function/lounge room



Foyer



Sample corridor



Sample unit 505



Sample unit 505



Sample unit 506



Sample unit 506







Sample storage room

Sample basement level

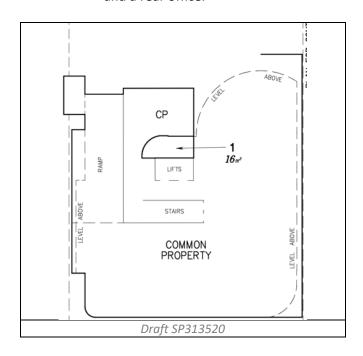


4. MANAGER'S LOTS DESCRIPTION

4.1 MANAGER'S OFFICE (LOT 1)

Type

The Manager's Office/Reception facility (Lot 1) is situated on the ground level of the complex. It comprises a functional reception area and a rear office.



Floor Area (m²)

On-Title Area	m²
Office/Reception	16
Total	16

Exclusive Use Areas

Nil.

Occupational Authority Areas

• Nil.







Reception



Reception



Reception Rear Office

Condition

Under construction.

Storage

The storage and maintenance facilities available to the Manager are considered to be adequate.

We note that the on-site Manager uses some common property areas for conducting the business (incidental purposes), which is typical for the industry. It is a critical assumption of this valuation that such areas remain for the use of the Manager.

Exclusivity

The subject Manager's Lot (Lot 1) is nominated as the Caretaker's Lot in the Management Agreements and the Community Management Statement, i.e. the only lot from which management and letting of the subject property could be undertaken.

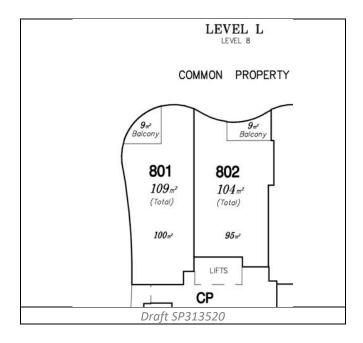
We note that the Manager is also required to reside within the scheme. We have been instructed to value Unit 801 as the Manager's Unit.



4.2 RESIDENTIAL UNIT (LOT 801)

Type

The Manager's Unit (Lot 801) comprises a 2 bedroom, plus multipurpose room, 2 bathroom apartment situated on residential level 8. The balcony provides panoramic north-western views over surrounding residential area.



Floor Area (m²)

On-Title Area	m²
Living area	100
Balcony	9
Total	109

Exclusive Use Areas

 Reportedly has one car parking space. We enquired with Mr Malcolm Cory of "Raptis Group Limited" but have not been provided with accurate plans of proposed exclusive use areas for the complex. It is a critical assumption of this report that the car parking space has one exclusive use car parking space.

Occupational Authority Areas

• We have not been provided with any plans of occupational authority areas.







Bedroom 1



Laundry



Sample bathroom



Multi-purpose room



Living area



Kitchen



Bedroom 3

Balcony

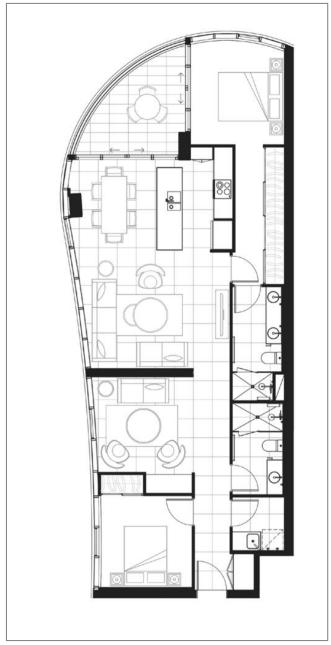






View from the balcony

View from the balcony



Floor plan as provided by Raptis



Condition

Under construction.

Storage

The storage and maintenance facilities available to the Manager are considered to be adequate.

We note that the on-site Manager uses some common property areas for conducting the business (incidental purposes), which is typical for the industry. It is a critical assumption of this valuation that such areas remain for the use of the Manager.

Exclusivity

The subject Manager's Unit (Lot 801) is not formally nominated as the Manager's Unit in the Management Agreements and the Community Management Statement, i.e. the only lot from which management and letting of the subject property could be undertaken.

We note that the Manager is also required to reside within the scheme. We have been instructed to value Unit 801 as the Manager's Unit.

4.3 MANAGER'S UNIT COMMENTARY

State of the Market

Managers Lots historically have attracted a premium on the sale price, due to the exclusivity and right of Management as per the Management Agreements and Community Management Statement or the nature and extent of additional Occupational Authority and Exclusive Use areas. Premiums for the attachment of the management rights to the lot generally range between 5% and 15% over and above 'standard' residential value of the lot. Such premiums are linked to the attached Management & Letting Rights business and should the market soften, the premium may be reduced.

In regard to the "standard" units (not Manager's Units), agents are reporting that the most probable buyers are homeowner buyers, and not investors.

Commentary on the unit types

We note that there is limited evidence of sales of stand-alone Ancillary Manager's Lots, used as a storage area, function room, business centre, spa or any other similar purpose, as these areas typically either form part of the common property or granted to the Manager by way of occupational authority or are on-title to the Manager's Unit (residence).

Businesses providing short term (corporate/holiday) accommodation have significantly higher requirements for additional storage/workshop/linen areas as comparing to businesses providing long term accommodation.

Short term (holiday/corporate) let businesses usually have various storage, maintenance and linen areas for the use of the Manager, as well as easily accessible office/reception facilities (usually situated in a lobby area).

It is preferable for the Managers of the businesses providing long term accommodation to have access to an office facility. It is considered advantageous in terms of competing with numerous outside agents.

The Purchasers of management rights are generally prepared to pay premiums for the Manager's Lots to secure high-netting businesses with good return on investment. The desirability of the Manager's Lots is directly linked to the desirability of the business.

Sales Evidence and Assessments

Following are the relevant sales evidence accompanied by the valuation rationale.



4.4 SALES EVIDENCE – STANDARD UNITS

Address				Sale Price	Sale Date	On-title area (m²)	Analysis/m ²
"Ultra",	301/14	George	Avenue,	\$888,000	May-21	160	\$5,550
Broadbea	ich						

Comprises a sale of 2 bedroom, plus multi-purpose room, 2 bathroom apartment situated on level 2. The balconies provide north-eastern and south-western views. Living area: 118 sqm; Balcony: 18 sqm; Balcony: 8 sqm; On-title area: 160 sqm. The unit has 2 exclusive use car parking areas. Built in 2007. Previous sale was more than 5 years ago.

Comparison to the subject: Comparable configuration, significantly larger on-title area, inferior elevation and views, inferior age of improvements, superior car parking provision. Overall, **inferior** on a residential basis excluding any premium for attachment of management and letting rights.

"Broadbeach on the Park", 1805/2685-	\$1,100,000	Aug-21	120	\$9,167
2689 Gold Coast Highway, Broadbeach				

Comprises a sale of 3 bedroom 2 bathroom apartment situated on level 18. The balconies provide northern views. Living area: 102 sqm; Balcony: 18 sqm; On-title area: 120 sqm. The unit has 2 exclusive use car parking areas. Built in 2004. Previous sale was in December 2019 for \$790,000 indicating a 28% increase.

Comparison to the subject: Superior configuration, slightly larger, comparable views, inferior age of improvements, superior car parking provision. Overall, **superior** on a residential basis excluding any premium for attachment of management and letting rights.

"Aria",	801/19	Albert	Avenue,	\$1,275,000	Jun-21	178	\$7,163
Broadbe	ach						

Comprises a sale of 3 bedroom 2 bathroom apartment situated on level 8. The balconies provide panoramic northern and south-western views. Living area: 157 sqm; Balcony: 16 sqm; Balcony: 5 sqm; On-title area: 178 sqm. The unit has 2 exclusive use car parking areas. Built in 2002. Previous sale was more than 5 years ago.

Comparison to the subject: Superior 3 bedroom configuration, significantly larger on-title area, comparable elevation and views, inferior age of improvements, superior car parking provision. Overall, **superior** on a residential basis excluding any premium for attachment of management and letting rights.

"Ultra", 1604/14	George	Avenue,	\$1,440,000	Jul-21	163	\$8,834
Broadbeach						

Comprises a sale of 2 bedroom, plus multi-purpose room, 2 bathroom apartment situated on level 15. The balconies provide south-western and south-western views. Panoramic ocean views are available. Living area: 118 sqm; Balcony: 18 sqm; Balcony: 8 sqm; On-title area: 163 sqm. The unit has 2 exclusive use car parking areas. Built in 2007. Previous sale was more than 5 years ago.

Comparison to the subject: Comparable configuration, significantly larger on-title area, superior elevation and superior panoramic ocean views available, inferior age of improvements, superior car parking provision. Overall, **superior** on a residential basis excluding any premium for attachment of management and letting rights.



4.5 SALES EVIDENCE – MANAGERS OFFICE LOTS

Address	Sale Price	Sale Date	On-title area (m²)	Analysis/m ²
Lot 101, "Stanhill Residences", 266 Stanhill Drive, Surfers Paradise, Gold Coast	\$28,000	Jan-21	28	\$1,000

The subject complex comprises a modern medium-rise residential complex featuring 61 apartments (and a Manager's Office Lot). The Manager's Office Lot (Lot 101) is situated on the ground level of the complex (foyer). It comprises a small but functional facility with a good exposure. The on-title area of the lot is 28 sqm (20 sqm office and 8 sqm courtyard). There are no exclusive use areas attached to this lot. Built in June 2020. *This is a direct sale from the Developer*.

Comparison to the subject: Larger on-title area, inferior age of improvements, comparable functionality, inferior location. It is our considered opinion that the lot was purchased below the market. Overall, **inferior.**

Lots 2001 and 3022, "South Lakes", 397 Christine Avenue, Varsity Lakes, Gold Coast	\$80,000		28	\$2,857
Christine Avenue, Varsity Lakes, Gold Coast	<u>\$80,000</u> \$160,000	Mar-19	28	\$2,857

The sale comprises two modern internal offices without reception component situated in a modern lakefront apartment complex. The business provides long term accommodation. Manager's Lot 2001 is situated to Stage 2. It comprises a 28 sqm enclosed space with no reception window. Currently used as a storage. Manager's Lot 3022 is situated to Stage 3. It comprises a 28 sqm area with a reception window. It comprises a functional area, complemented by a kitchenette and a toilet. Currently used as an office. Built circa 2018. We note that these two units are complimentary to the "main" office/reception facility, which is on-title to the Manager's Residence.

Comparison to the subject: Slightly larger on-title area, inferior age of improvements, Inferior functionality, as the Manager's using the office/reception attached to the Manager's Unit as the main Manager's Lot. Dated sale, the market has improved since. Overall, at or about.

Lot 1 and Lot 2, "Waterpoint", 5 Harbour	\$80,000		17	\$4.706
Lot I and Lot 2, Waterpoint , 5 Harbour	\$80,000	Jun-20	1/	34,700
Side Court, Biggera Waters, Gold Coast	380,000	Juli-20	26	\$3,077
Side court, Diggera Waters, doid coust	\$160,000			43,677

There are two Manager's Lots in the complex. There is a Manager's Lot in Building 1 (Lot 1 SP279571), a Manager's Lot in Building 4 (Lot 2 SP294556). Lot 1 has an on-title area of 17 sqm and comprises a functional office/reception lot with good exposure. The lot is situated at the lobby and presents very well. There is a reception area, office area and rear office area. Survey Plan was registered in November 2015. Lot 2 has an on-title area of 26 sqm and comprises a functional office lot with good exposure. The lot is situated at the lobby and presents very well. There is an office area and a storage room. There is no reception area. Survey Plan was registered in August 2018.

Comparison to the subject: Comparable on-title area to lot 1, larger on-title area (lot 2), inferior functionality (office provision is over and above what is required to operate the business), inferior age of improvements. Overall, **at or about.**



The Manager's Office lot is situated within a refurbished woolstore building. The business provides long term rentals. The Manager's Office adjoins the Manager's Unit. The Manager's Office is located on the ground floor level facing internally to common area. It comprises a functional facility of 14 sqm. The lot is complemented by an exclusive use car parking space. Built in 1995.

Comparison to the subject: Comparable on-title area, inferior age of improvements and presentation, provision of an exclusive use car parking space, comparable functionality. Overall, **at or about.**

Lot 104, "Atmosphere at Ashmore", 1 Hart Street, Ashmore, Gold Coast	\$104,000	Aug-20	45	\$2,311
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"Atmosphere at Ashmore" is a low rise apartment development incorporating three stages. The first two stages have been completed and comprise 35 x one bedroom units, 44 x two bedroom units, 8 x three bedroom units, 1 x Manager's Office and a total of 88 residential lots. The third stage of the development is undeveloped, located opposite the complex to the western side of Hart Street and approved for an additional 86 units. The business provides long term accommodation. The Manager's Lot comprises a ground office/reception and storage area of 45m² situated opposite the main entry. Built in 2017.

Comparison to the subject: Larger on-title area, inferior age of improvements, inferior location. Overall, superior.

4.6 RESIDENTIAL LOT AND MANAGER'S LOT RATIONALE

Assessment - Residential Lot 801

The subject lot is not under any sale contract.

We have adopted a figure of \$900,000 as the current market value in this instance, which is considered to be within market parameters as set by sales evidence as contained in this report.

As a check method, we have analysed the adopted figure to reflect a dollar rate per square metre, i.e. the adopted value divided by the on-title area. The analysed sales range is between \$5,550 per sqm and \$9,170 per sqm (rounded). The subject Unit reflects \$8,260 per sqm (rounded) of on-title area (109 sqm), a figure both within and supported by the body of analysed sales.

Assessment – Manager's Office (Lot 1)

This valuation being done on a direct comparison basis, whereby the value of similar strata titled office units within management rights complexes have been compared to the subject property. The group of sales suggests the subject lot have a following market value:

We have adopted a value of \$80,000 for Lot 1 of 16 sqm.

As a check method, we have analysed the adopted figure to reflect a dollar rate per square metre, i.e. the adopted rate divided by the on-title area. The analysed sales range between \$1,000 per sqm and \$5,715 per sqm. The subject Manager's Lot (Lot 1) reflects \$5,000 per sqm, a figure both within and supported by the body of analysed sales.

Body Corporate Record Search - The Manager's Unit has been valued without the benefit of searches of the body corporate records.

Insurance Search - Body Corporate responsibility.



5. BUSINESS DESCRIPTION

In arriving at our opinion of market value for the Management & Letting Rights component, we have considered pertinent facts of the business including the following:

5.1 BODY CORPORATE DOCUMENTS

- The Caretaking Agreement is made up of the Body Corporate Salary component. The Agreement is between the Body Corporate and the Current Manager (Caretaker) to carry out the duties generally to common property as set out in the Agreement.
- The Letting Agreement is between the Body Corporate and the Current Manager (Letting Agent). The Body Corporate grants the Vendor (Letting Agent) the right to erect signage to promote the Letting Agents services. It does not exclude external Letting Agents from conducting a letting service from an offsite office.

We have been provided with the following documents:

- 1. Proposed Caretaking Agreement, undated and unsigned.
- 2. Proposed Letting Agreement, undated and unsigned.

Note: We have not been provided with executed copies of Caretaking Agreement and Letting Agreement for the subject complex. Our assessment is based upon these documents being executed as outlined within this report. If this proves to be incorrect, we reserve the right to review/amend our valuation report and figures herein.

Note: Should a due diligence report reveal the existence of additional Agreements other than those listed above, we reserve the right to review/amend our valuation herein.

Note: A balance term of less than 15 years will generally impact upon the financing of the business. It is recommended that the Manager applies to the body corporate for a top up of the balance term remaining within the first two to three years as management and letting rights is a diminishing asset.

The Body Corporate:
The Gallery Residences.
The Caretaker:
To be nominated
Commencement Date:
To be nominated.

Original Term: 15 years. Option/s: 10 years.

Expiry Date: 25 years from the date of commencement (Assuming all

options are exercised).

Balance Term: 25 years (Assuming all options are exercised).

Reviews: Annually CPI.

Manager's Lot: Lot 1 in the Scheme. The Caretaker or the Nominee or

Appointee must own or have a right to occupy the Caretaker's Lot. The Caretaker, Nominee or Appointee must reside in a lot

in the Scheme.

Office Hours: The Caretaker must be available at the Complex or contactable

by phone to assist the Body Corporate Representative, owners of lots, and tenants of lots in relation to the performance of the

Caretaking Duties.

Maximum Expenditure: Not specified.



Duties: Set in Clause 4 and Schedule B of the Management Agreement.

The duties are 'do all'/'full functional'. The duties for the complex do not appear overly onerous and appear to be in line with industry standards. Note: The Remuneration is paid for the performance of the duties and not for the provision of

letting services.

Community Management Statement

Summary details are as follows:

Execution Date: To be executed.

The Body Corporate: The Gallery Residences.

Regulation Module: Accommodation.

Lots included: All lots within SP313520.

By Laws: Clauses 1 to 33.

Caretaker's Lot: Lot 1 (Manager's Office). Statutory Easements: Schedule D – Attached

Exclusive Use Areas: Schedule E – Attached, but blank.

5.2 LETTING APPOINTMENTS

Overview

The letting component is made up of Letting Appointments. A Letting Appointment is a contract between the Lot Owner (Investor) and the Letting Agent for a period of time, to provide property management services on behalf of the Lot Owner (Investor). The Letting Agent generates income (Management Commissions, Letting Fees, etc.) as stated within the Letting Appointment from these units.

Note: We are not Lawyers, our assessment is based upon the income generated from the Letting Appointment is compliant with the Property Occupations Act. If this proves to be incorrect, we reserve the right to review/amend our valuation herein.

Letting Appointments entered into after 1 December 2014 require an executed PO (Property Occupations) Form 6. The Assignment Clause within the PO Form 6s automatically allows assignment. Each party can terminate the Letting Appointment by providing 30 days written notice.

Commentary

The Reviewing Accountant assumed that there would be **40 units** in the letting pool owned by investors (37% of all lots).

Based on the information provided to us by Mr Malcolm Cory of "Raptis Group" via <u>email dated 10 September 2021</u>, the business has received the following signed Form 6s. We have received copies of 9 executed Form 6s to date (606, 806, 901, 905, 1303, 1404, 1406, 1704 and 203)



"Permanent Rentals

AP203

AP606

AP806

AP901

AP905

AP1303

AP1404

AP1406

AP1704

AP403 – will be received today

AP1504, 1604 is still yet to be returned, I have followed up.

AP1405 & AP1606 are still undecided.

AP501,1505 have decided to stay with the selling agent as their property manager.

Short-term

AP601

AP903

AP1705

AP1202

AP1201

AP1904

Still waiting on agreements to come back, some are still deciding if to put in short-term or permanent. 2 of them looking to move into next year if not by the end of the year and considering short-term in the interim".

We relied on the summary of fees and charges provided by the Accountant and a sample Schedule of Fees and Charges, which could be summarised as follows:

GST Exclusive

- Commission and Management Fee: 7% of rent collected (permanent); 12% (short term).
- Letting commission: One weeks rent.
- Renewal fee: One half of one weeks rent.
- Miscellaneous, inclusive of but not limited to:
 - o Administrative Expenses: \$5.00 per month (permanent); \$6 (short term).
 - o Cleaning and Linen Hire: \$65 for 2 bedroom units & \$85 for 3 bedroom unit.
 - Linen: \$14 per person.

Overall, we consider the fees and charges to be in line with industry expectations.



Pre-sales within the complex

We have been provided with a copy of pre-sales schedule named "Purchaser Details – the Gallery" by Mr Malcolm Cory of "Raptis Group". Based on this schedule, a total of 26 units have been pre-sold to investors, 54 unit have been pre-sold to owner occupiers (incl. Lot 801), and 28 units remain unsold (and could be purchased by investors or owner occupiers).

Based on this information, the projected number of units in the letting pool (40) appears to be achievable. However, the possibility remains that a number of available units would be sold to owner occupiers.

There is also a possibility of some units purchased by investors will be given to an outside agent for management.

5.3 OTHER BUSINESS DETAILS

Number of Units in Complex and Letting Pool

Based on the Accountant's Report and the information provided to us by the Manager, our understanding of complex configuration is as follows:

Unit Configuration	Comm	2 Bed	3 Bed	TOTAL	%
Short-Term/Holiday Letting Pool		7	3	10	9%
Permanent Let		23	7	30	28%
Owner Occupied/Outside Agents		51	16	67	61%
Manager's Unit (2b plus multi-purpose room)			1	1	1%
Manager's Office	1			1	1%
Total Units	1	81	27	109	100%

Commentary

Based on the above configuration it appears that there is an opportunity to increase the letting pool. This could be done by focusing on marketing and negotiating competitive management fees with those units currently being managed by outside agents, or in the event if owner occupier is replaced by an investor.

Multiple Ownership

It is a critical assumption of this valuation that there is and there will be no significant multiple ownership within the complex.

Leaseback Agreements

We have been advised that there are no leaseback units within the letting pool.

National Rental Affordability Scheme (NRAS)

Our assessment is based upon no NRAS units being within the letting pool now or in the future. If this proves to be incorrect, we reserve the right to review/amend our valuation report and figures herein.

Managed Investments Act (MIA)

We have assumed this business does not fall under any Managed Investment Scheme.

Computer System and Telephone

We have assumed the computer system and telephone system to be in good working order and are to industry standards.



Leased Equipment

Based upon a Going Concern 'Walk in, Walk out' basis, we have assumed any leased equipment would be taken over by the potential purchaser.

Body Corporate Records

The Management & Letting Rights business has been valued without the benefit of searches of the Body Corporate records.

Marketing Period

We believe that the assessed values are achievable within a **3 to 6 months period** provided both an appropriate and well-funded marketing campaign and experienced Management & Letting Rights Agent(s) are employed.

5.4 COMPETITION

"The Gallery Residences" complex on completion will provide mixed short term and long term accommodation and is located to tourism hub suburb of Broadbeach. It is therefore in direct competition with a high number of short-term complexes of varying standards.

A search of comparable accommodation properties located in the immediate vicinity of the "Capricornia" complex includes, but is not limited to the following: "Belle Maison" (4.5 stars), "Talisman" (4.5 stars), "Ocean Pacific" (4.5 stars), "Carmel By The Sea" (4.5 stars), "Mantra Broadbeach on The Park" (4 stars), "Bel Air on Broadbeach" (4 stars), "Neptune Resort" (4.5 stars), "The Wave Resort" (4.5 stars).

Rental Comparison

Below are the recent weekly rentals for the subject complex and the nearby comparable weekly rentals (unfurnished) on for each unit type:

Туре	Subject p/w PROJECTED	Market Rentals p/w		
2 Bedroom	\$700	\$650 - \$850		
3 Bedroom	\$800	\$950 - \$1,350		

We also analysed the recent statistics provided by Residential Tenancies Authority (RTA) for the subject suburb. While we note that RTA statistics incorporate a mixture of new and old product, it is considered to provide an indication of the rental situation and dynamics over last three years.

RTA - Median Weekly Rents									
		Jun-19	Jun-20	Jun-21					
Postcode	Localities	Rent	Rent	Rent					
2 Bedroom	2 Bedroom Apartments								
	Gold Coast Central	\$440	\$440	\$500					
4218	Broadbeach/Mermaid Bch/ Nobby Bch/Rialto	\$450	\$450	\$520					
3 Bedroom	3 Bedroom Apartments								
	Gold Coast Central	\$550	\$550	\$625					
4218	Broadbeach/Mermaid Bch/ Nobby Bch/Rialto	\$637.5	\$640	\$755					

Based upon the above information, the subject complex rentals are **within** the comparison range, given the modern nature of the subject complex, its location and presentation.



Vacancy Rates

We have utilised the SQM Research for September 2021 statistics. The details are as follows:



Note: The above vacancy rate does not include unit complexes recently completed or under construction.

- Based on our search of "realestate.com.au" there are the following units on the market for rent within the subject complex:
 - Unit 501 (2 bed 2 bath) \$850 per week.
 - o Unit unknown (2 bed 1 bath) \$650 per week.
- We have requested current rental information in "The Gallery" from Mr Malcolm Cory of "Raptis Group Limited" as we understand that some units are put on the market for rent after the complex has been completed, but we have not been provided with any in-house lease reports.



6. NET OPERATING PROFIT

The Net Operating Profit is defined in clause 12.1(a) of the REIQ Standard Conditions of Sale are as follows:

"For the purpose of this clause Net Operating Profit shall be calculated by deducting from the gross income for the business for the relevant period the actual expenses of operating the business for that period (in particular excluding depreciation, borrowing expenses, interest on borrowings and any payment of labour related to work which would be performed by a two person resident management team)."

It is a critical assumption of this valuation that financial information as provided is true and correct. The Management & Letting Rights valuation assessment has been made with reliance upon the Financial Verification Report prepared by Paul Shannon of "Crest Accountants" dated 15 July 2021 for the 12-month period ending 30 September 2022.

We are not Accountants and therefore if an independent Accountants report verifying the net operating profit suggests something different from the numbers as stated, we reserve the right to both review and/or amend this valuation report herein. The details are as follows:

PROFIT & LOSS STATEMENT				
	Gross	Cost Of Sales	Adopted	% of Gross
Year Ending	Income		Amounts	R/OE
30 September 2022 (typical year of operation)				
Gross Revenue				
Body Corporate Remuneration	\$171,936		\$171,936	47%
Commission & Management Fees - Holiday	\$52,560		\$52,560	14%
Commission & Management Fees – Long Term	\$75,950		\$75,950	21%
Letting/Reletting Fees	\$21,700		\$21,700	6%
Administration Income	\$2,400		\$2,400	1%
Cleaning & Linen	\$79,388	(39,968)	\$39,420	11%
Total	\$403,934	(39,968)	\$363,966	100%
Operating Expenses				
Audit & Accountancy	\$4,500		\$4,500	22%
Bank Fees	\$900		\$900	4%
Computer Support/Software	\$1,440		\$1,440	7%
Insurance	\$2,500		\$2,500	12%
Registration & Licence Fees	\$1,000		\$1,000	5%
Motor Vehicle Expenses	\$1,040		\$1,040	5%
Printing, Postage & Stationery	\$600		\$600	3%
Subscriptions	\$600		\$600	3%
Telephone & Internet	\$1,800		\$1,800	9%
Wages – Cleaning/Maintenance	\$6,000		\$6,000	29%
Total	\$20,380		\$20,380	100%
PROJECTED NET OPERATING PROFIT			\$343,586	



6.1 NET OPERATING PROFIT ANALYSIS

The Net Operating Profit figures generally appear to be in line with other comparable Gold Coast based permanent let complexes. As a cross check we have compared the main cash flow streams to other complexes. Comments are as follows:

General

- Start-up business which is projected to provide both short-term and long-term letting.
- Average Holiday Nightly Rate is projected at \$200 which we consider to be reasonable.

Income

- As a percentage of Gross Revenue, the Body Corporate remuneration at 47% for the subject complex sits
 below the industry range for similar complexes (40% 60%), which is considered to be an important
 factor. This is given the relative sustainability of this income, as compared to letting commission and
 ancillary income, which is subject to rise and fall depending on the economic conditions.
- The overall ancillary income (excluding Body Corporate Remuneration, Commission and Re-Letting Fees) is at 11% of Gross Revenue, which is **within** the range for the comparable established complexes (10%-15%).
- We have analysed various major (above 5% of Gross Revenue) individual revenue streams of the subject business to establish if they are within industry expectations for comparable complexes. Please refer to below table.

	Cleaning & Linen
Subject Complex (return)	50%
Percentage of Gross Revenue	11%
Industry Range (return)	40%-60%

Expenses

- The Reviewing Accountant included all typical Operating Expense items.
- Total expenses at 6% of Gross Revenue are **below** the range of industry expectations for comparable mixed let complexes (10%-15%). This has been considered in our adoption of the multiplier.
- We consider that the subject complex is suitable for operators with previous management & letting rights experience.
- Our inspection confirmed that the wages allocation (29% of Operating Expenses) by the Reviewing Accountant is reasonable, albeit at the lower end of the benchmarking evidence for comparable businesses.

The NOP achievable from this type of business is directly related to the number of units in the letting pool, the occupancy of those units and the amount of work undertaken by the managers to the exclusion of outside labour, if any. A change in any one of these factors will significantly affect the net operating profit achievable from the business.

In addition, we have further analysed the following components that make up the business and resultant Net Operating Profit figures.



6.2 NOP COMPARISONS AND ANALYSIS

6.2.1 Letting Pool Analysis

To consider as to whether the letting pool ratios are considered reasonable, we have from the body of Management & Letting Rights sales evidence, made the following comparisons:

Complex	Lots in the Letting Pool	Lots in Complex	
Magnoli Apartments	30	210	14%
Meriton on Main Beach	30	83	36%
The Gallery	40	109	37%
Sage Apartments	65	167	39%
Summer Fields South	45	104	43%
Kirra Beach	26	51	51%

The analysed subject complex letting pool ratio is within the analysed sales and therefore acceptable.

6.2.2 Body Corporate Salary Comparisons

To consider as to whether the subject business Body Corporate Salary is reasonable, we have from the body of Management & Letting Rights sales evidence made the following comparisons:

Note: This component is fixed where the Body Corporate Salary is determined by the Caretaking/Management Agreement.

Complex	Total Lots	BCS/Lot	BCS as a % of NOP
Kirra Beach	51	\$1,539	22%
Meriton on Main Beach	83	\$1,751	44%
The Gallery	109	\$1,577	50%
Sage Apartments	167	\$1,053	69%
Summer Fields South	104	\$1,679	73%
Magnoli Apartments	210	\$1,200	81%

The analysed subject complex figure as a percentage of NOP is **within** the body of evidence and therefore acceptable.

The Body Corporate remuneration per lot (total lots within the complex) for the performance of duties is within the industry range for similar complexes.



6.2.3 NOP/Unit Let Comparison (Excluding Body Corporate Salary)

When analysed to reflect a rate per unit let, i.e. the Net Operating Profit (Excluding Body Corporate Salary) divided by the number of units let, the results are as follows:

Note: This component is a made up of the variable component only and is susceptible to the rise and fall of tariffs/rents and occupancy.

Complex	Letting Type	NOP/Letting Unit
Sage Apartments	Permanent Let	\$1,193
Summer Fields South	Permanent Let	\$1,459
Magnoli Apartments	Permanent Let	\$1,938
The Gallery	Mixed	\$4,291
Meriton on Main Beach	Mixed	\$6,088
Kirra Beach	Short Term	\$10,479

The subject complex analysed figure is within the range of the body of evidence and therefore acceptable.

6.2.4 NOP/Total Lots Comparison

When analysed to reflect a rate per total lots in the complex, i.e. the Net Operating Profit divided by the number of total lots, the results are as follows:

Complex	Letting Type	NOP/Total Lots
Magnoli Apartments	Permanent Let	\$1,477
Sage Apartments	Permanent Let	\$1,517
Summer Fields South	Permanent Let	\$2,311
The Gallery	Mixed	\$3,152
Meriton on Main Beach	Mixed	\$3,952
Kirra Beach	Short Term	\$6,881

The above analysis demonstrates the profit which is currently derived from every lot within the complex and is reflective of the nature of the business. We note that it is normal for the letting pool to fluctuate slightly from time to time, wherein the Body Corporate remuneration is viewed as a more stable source of income.

The subject complex analysed figure is within the range of the body of evidence and therefore acceptable.

6.2.5 Net Operating Profit Comments

The proposed Net Operating Profit for the subject business is \$343,586 and is based upon 40 units in the letting pool.

After analysing the subjects' cash flows and those attributable to other complexes, we have therefore adopted these figures for valuation purposes.



7. MANAGEMENT & LETTING RIGHTS VALUATION COMMENTARY

Major Threat of COVID-19 (Coronavirus) to Management and Letting Rights Business

The management rights market experienced a strong uptrend in buyer activity after a low point in 2013 to reach a peak in 2017. The market then plateaued over 2018 and remained steady during 2018 to early 2019. Over late 2019 the market recorded historically high multipliers for management rights businesses as sales and stock levels remained tight and the number of buyers increased. This trend was temporarily suspended between March and June 2020 due to the sudden coronavirus outbreak however recent transactions indicate the management rights market has been rather resilient with minimal effect on permanent business multipliers. Initial indications are that the strength of the permanent management rights market has continued into 2021 aided by historically low business lending rates.

It appears that the businesses netting above \$200,000 are in high demand and attract strong multipliers. Various agents call it a "seller's market". Historically high multipliers continue to be paid for high netting businesses in advantageous locations, which are viewed as scarce product. We note that Vendor price expectations remain high. Businesses netting less than \$200,000 are generally attractive to the first-time buyers. Various agents call it a "buyer's market", considering the current economic climate. Given our outlook on the current market, we would recommend caution be exercised.

Industry update

Despite the fact that the management and letting rights businesses continue to be perceived as an attractive investment, there are some issues affecting the industry. An increased number of refusals to consent to an assignment has been reported. We have observed that despite having a high number of offers to choose from, some Vendors prefer to select the most experienced operator who would be easier to train and would likely have a better chance of getting Body Corporate's approval.

QCAT Decision

Financiers have commonly lent against the value of Management & Letting Rights businesses and assumed that they will have recourse, under the Body Corporate and Community Management Act 2003 (BCCMA) – Section 126 following a default. A recent QCAT decision of a complex known as Gallery Vie, found that the Body Corporate had an entitlement to terminate the Caretaking & Letting Agreements following a default.

The Gallery Vie business settled on 15 February 2016. The Body Corporate did not exercise their entitlement to terminate the Caretaking & Letting Agreements, indicating that it was not their intention to terminate the Agreements.

We are aware ARAMA, an industry association representing Management & Letting Rights owners, industry Lawyers and Banks have banded together and are currently in the process of amending the BCCMA, to remove any uncertainty that may have arisen through the Gallery Vie decision.

Whilst financiers are still lending on Management & Letting Rights businesses, we recommend the financier satisfy themselves that recourse to both the property and the business is available in the event of a default.

Valuation Approach

The Management & Letting Rights component of the property has been assessed via the Capitalisation of Income Approach, whereby the Gross and Net Operating Profits have been established. The resultant maintainable and ongoing Net Operating Profit has then been capitalised by a multiplier factor, derived from market evidence.

Following are the relevant sales evidence followed by the valuation rationale.



7.1 MANAGEMENT & LETTING RIGHTS SALES EVIDENCE



Name	Meriton on Main Beach	Manager's Unit Price		\$718,000		
Address	1/29-39 Woodroffe Avenue,	M&L Rights P	rice	\$1,677,000		
	Main Beach, QLD, 4217	Total Price		Total Price \$2,395,000		
Туре	Apartment complex	Sale Date		November 2020		
Build Date	1997	NOP	/Unit Let	\$328,000	\$10,933	
Units Let	30 (36%)	BC Salary	/Total Lot	\$145,353	\$1,751	
Total Lots	83	NOP Ex BCS	/Unit Let	\$182,647	\$6,088	
Use	Short term & Long term	Multiplier		5.11 times		
Agreements	20 years to run	Return On Investment		14%		
Regulation Module	Accommodation	Business Type	•	Established		

[&]quot;Meriton on Main Beach" comprises a high-rise apartment complex situated within established beachfront suburb of Main Beach.

The complex is made up of 83 apartments of 1, 2 and 3 bedroom configuration. All apartments have views to the Broadwater and ocean. The business is made up of 23 short term let units, 7 long term let units, 13 externally manages units, 39 owner occupiers and a Manager's Unit.

The Manager's Unit is of 3 bedroom 2 bathroom configuration and is situated on the ground level. The unit has a large balcony and an exclusive use car space. The office is attached and on the same title.

Common facilities include: Landscaped gardens and lawn areas, two heated swimming pools, two barbeque facilities, spa, gymnasium, sauna, tennis court, visitor's car parking, basement car parking.

Note: Reported sale. Sold based on the actual figures. The info from the trust account showed that the business had recovered well, and the trend was heading toward 90% of pre-covid numbers.





Name	"Kirra Beach"	Managers Unit Price		\$895,000	
Address	Lot 101, 4-10 Douglas Street,	M&L Rights Price	\$1,905,000		
	Coolangatta QLD	Total Price		\$2,800,000	
Туре	Apartment Complex	Sale Date		U/C July 2021	
Build Date	2002	NOP	/Unit Let	\$350,931	\$13,497
Units Let	26 (51%)	BC Salary	/Total Lot	\$78,489	\$1,539
Total Lots	51	NOP Ex BCS	/Unit Let	\$272,442	\$10,479
Use	Short Term Let	Multiplier		5.43	
Agreements	24.4 years remaining term	Return On Investment		12.5%	
Regulation Module	Accommodation	Star Rating / Busines	s Type	Established / 4.0 Star	

"Kirra Beach" is a modern medium rise residential complex situated opposite Kirra Beach and located in the beachside suburb of Coolangatta within the southern region of the Gold Coast.

The complex comprises of 41 x two bedroom units, 5 x three bedroom units, 4 x four bedroom units, 1 x Managers Unit and a total of 51 residential lots.

The business is made up of 24 x short term let and 1 x permanent let unit in the letting pool, 1 x leaseback unit (agreement administered on a month to month basis), 16 x owner occupied units, 1 x external agent/self managed unit, 7 x locked up units and a Managers Unit.

The Managers Unit is a ground level, three bedrooms, two bathrooms unit with a living area of 141m² and balcony of 21m². The Managers Office is on title and extends to 15m². The unit also includes 2 x basement car parks held on an exclusive use basis.

Common facilities include; Onsite management, swimming pool, spa and visitor car parking.





Name	Summer Fields South	Manager's Unit Price		\$380,000	
Address	55/33-67 Edmund Rice Drive,	M&L Rights Price	e	\$1,325,000	
	Southport, QLD, 4215	Total Price	Total Price		
Туре	Townhouse complex	Sale Date		July 2021	
Build Date	1991	NOP	/Unit Let	\$240,298	\$5,340
Units Let	45 <i>(43%)</i>	BC Salary	/Total Lot	\$174,642	\$1,679
Total Lots	104	NOP Ex BCS	/Unit Let	\$65,656	\$1,459
Use	Permanent Let	Multiplier		5.50 times	
Agreements	21 years to run	Return On Investment		14%	
Regulation Module	Accommodation	Business Type		Established	

The "Summer Fields South" comprises an older-style townhouse complex which is situated within the established residential suburb of Southport. The subject complex has a street frontage to Edmund Rice Drive, carrying a medium amount of traffic. Surrounding development include Guardian Angels Primary School, Aquinas College, "Summer Fields" townhouse complex, retirement village, Southport Reserve.

The complex is made up of 104 attached townhouses and villas of 2 and 3 bedroom configuration. The business is made up of 45 units let on a permanent let basis, 10 externally managed units, 48 owner occupied units and a Manager's Unit.

The Manager's Unit (Lot 55) comprises a single level attached villa of 2 bedroom 1 bathroom configuration situated at the centre of the complex. The unit has a single garage and a workshop. The office/reception facility is on-title and attached. The unit is complemented by a large yard.

Common facilities include: Landscaped gardens and lawn areas, full size tennis court, swimming pool, spa, barbeque area, ample visitor's car parking. No gates.





Name	Sage Apartments	Manager's Unit	Manager's Unit Price			
Address	3102/31 Bourton Road,	M&L Rights Pric	е	\$1,397,511		
	Merrimac	Total Price	Total Price			
Туре	Apartment Complex	Sale Date	Sale Date		2020	
Build Date	2016	NOP	/Unit Let	\$253,363	\$3,898	
Units Let	65 <i>(39%)</i>	BC Salary	/Total Lot	\$175,834	\$1,053	
Total Lots	167	NOP Ex BCS	/Unit Let	\$77,529	\$1,193	
Use	Permanent Let	Multiplier	Multiplier		5.52 times	
Agreements	21 years remaining terms	Return On Investment		12.8%		
Regulation Module	Accommodation	Business Type		Established		

The "Sage Apartments" complex comprises seven modern low rise apartment buildings constructed across a shared podium level used for car parking, situated within the residential suburb of Merrimac which is located within the central region of Gold Coast.

The complex comprises of 166 x two bedroom units, 1 x Managers Unit and a total of 167 residential lots.

The business is made up of 65 (39%) permanent let units in the letting pool, 12 external/outside let agents, 89 owner occupied units and 1 Managers Unit.

The Managers Unit is a four bedrooms, two bathrooms unit located to Level 1 with a living area of 163m², balconies of 25m² and total floor area of 188m². It presents in a good overall condition and overlooks the adjoining reserves to the east and west. An office/reception area is located towards the front of the complex and held via occupational authority.

Common facilities include: Onsite management, $2\ x$ swimming pool, barbeque areas, landscaped gardens and visitor parking.





Name	Magnoli Apartments	Manager's Unit Price		\$1,040,000		
Address	1104/1328 Gold Coast Highway, Palm	M&L Rights Price	е	\$1,769,000		
	Beach QLD	Total Price		Total Price \$2,809,000		
Туре	Apartment Complex	Valuation Date		July 2021		
Build Date	2020	NOP	/Unit Let	\$310,125	\$10,338	
Units Let	30 (14%)	BC Salary	/Total Lot	\$252,000	\$1,178	
Total Lots	210	NOP Ex BCS	/Unit Let	\$58,125	\$1,938	
Use	Permanent Letting	Multiplier		5.70 times		
Agreements	25 years remaining term	Return On Investment		11.0%		
Regulation Module	Accommodation	Business Type		Established		

The "Magnoli Apartments" comprises a recently completed high-rise complex located within the established residential beachside suburb of Palm Beach. Palm Beach has experienced a surge in development in recent years. The subject complex is situated on the western side of the Gold Coast Highway. Surrounding development includes community park, Palm Beach State School, various service apartments and numerous dining facilities. Pacific Beach is approximately 140 metres east of the subject complex.

The development comprises 6 terrace homes and 2 high rise buildings (12 residential levels). The final stage was completed in September 2020. The complex is made up of 1, 2 and 3 bedroom units. The ground level apartments feature exclusive use outdoor spaces. The elevated apartments have panoramic ocean and hinterland views.

The business is made up of 30 permanent let units, in the letting pool, 43 self/externally managed units, 137 owner occupied units, 3 commercial lots and a Manager's Unit. The building is predominately attractive to owner occupiers and all units in the development have been sold. We have been advised that the units have been purchased by a mixture of local and interstate buyers.

The Manager's Unit (Lot 1104) comprises a 2 bedrooms, 2 bathrooms apartment situated on the ground level. Manager's Office facility is on-title and attached. The unit is complemented by a courtyard and a large exclusive use outdoor area. The unit faces the Gold Coast Highway and there is a private pedestrian gate. We note that the Manager's Unit has the same living area as other 3-bedroom units within the complex but is purposely built with bedroom 3 being converted into the Manager's Office. The lawyers have confirmed that there is no requirement for the Manager to reside on-site.

Common facilities include: Landscaped gardens and lawn areas, swimming pool, sun deck, barbeque area, function room, basement car parking, ample visitor car parking.



7.2 MANAGEMENT & LETTING RIGHTS RATIONALE

7.2.1 Multiplier Comparison

The following table is a breakdown of the sales evidence highlighting the multiplier which is calculated by dividing the Management & Letting Rights Business Sale Price by the Net Operating Profit. The table also draws comparisons with the remaining years of the Management & Letting Rights Agreements.

There is limited recent sales evidence on the Gold Coast of comparable start-up businesses.

Complex	Units Let	% Units Let	NOP	Yrs Remain	Multiplier
Meriton on Main Beach	30	36%	\$328,000	20	5.11
The Gallery	40	37%	\$343,586	25	5.20
Kirra Beach	26	51%	\$350,931	24	5.43
Summer Fields South	45	43%	\$240,298	21	5.51
Sage Apartments	65	39%	\$253,363	21	5.52
Magnoli Apartments	30	14%	\$310,125	25	5.70

Factors which are favourable for the subject property include:

- Well-presented large modern complex, located in proximity to the patrolled beach area, Pacific Fair shopping centre, Gold Coast Convention and Exhibition Centre, Jupiter's Casino and The Oracle Boulevard.
- Single Body Corporate with 25 years to run on management agreements.

Factors which are not favourable for the subject property include:

- Risk of reduction in let units over time for reasons beyond Manager's control or in the event of substandard management.
- Inherent risk that projections would not be achieved.
- Impact of the COVID-19 crisis within the following 12 months and beyond.

7.2.2 Sales Evidence Analysis

Meriton on Main Beach

This older-style high rise unit complex is located in an established beachfront suburb of Main Beach. The Scheme is under the "Accommodation" regulation module. The business is similar to the subject providing predominately short term accommodation. The business was sold based on actual figures, affected by COVID-19 lockdowns. The multiplier (YPF) of **5.11** times demonstrated by this sale is considered to be **less than** that which should be applied to the subject property, principally due to inferior overall NOP. Dated sale, the market has increased since.

Kirra Beach

This semi-modern medium-rise complex is located in a comparable suburb of Coolangatta. The Scheme is under the "Accommodation" regulation module. The business is similar to the subject providing predominately short term accommodation. The multiplier (YPF) of **5.43** times demonstrated by this sale is considered to be **in excess of** that which should be applied to the subject property, principally due to larger overall NOP and higher NOP per lot.

Our Reference: 41062



Summer Fields South

This older style townhouse complex is located in a comparable suburb of Southport. The business provides only permanent rentals. The Scheme is under the "Accommodation" regulation module. The multiplier (YPF) of **5.50** times demonstrated by this sale is considered to be **in excess of** that which should be applied to the subject property, principally due to superior percentage of Body Corporate remuneration (which is considered to be more sustainable form of income as compared to letting).

Sage Apartments

This modern unit complex is located in a comparable suburb of Merrimac. The business provides only permanent rentals. The Scheme is under the "Accommodation" regulation module. The multiplier (YPF) of **5.52** times demonstrated by this sale is considered to be **in excess of** that which should be applied to the subject property, principally due to superior percentage of Body Corporate remuneration (which is considered to be more sustainable form of income as compared to letting).

Magnoli Apartments

Semi-Established. This modern unit complex is located in a comparable suburb of Palm Beach. The business provides only permanent rentals. The Scheme is under the "Accommodation" regulation module. The multiplier (YPF) of **5.70** times demonstrated by this sale is considered to be **in excess of** that which should be applied to the subject property, principally due to single Body Corporate, balanced by smaller overall NOP and an expensive real estate component to purchase.

7.2.3 Assessment

As a primary method, we have used the Income Capitalisation Approach. Based upon the sales evidence, we believe that the Net Operating Profit of \$343,586 has an achievable and applicable multiplier range of between 5.00 and 5.30. We have then adopted a mid-range multiplier of 5.20 times.

The workings are as follows:

	Net Operating Profit	Multiplier Range	Value Range
		5.00	\$1,717,930
Subject Property	\$343,586	to	
		5.30	\$1,821,006
Adopt (Rounded)		5.20	\$1,790,000

For practical valuation purposes, we have adopted the figure of \$1,790,000 as the current market value in this instance.



7.2.4 Management & Letting Rights Value/Unit let Comparison

As a secondary method, we have analysed the adopted figure to reflect a Management & Letting Rights Value/Unit let, (i.e. the purchase price of the Management & Letting Rights divided by the number of units in the letting pool). The results are as follows:

Complex	Units Let	Ratio	NOP (Ex Bc)/Units Let	MLR Value/Units Let
Sage Apartments	65	39%	\$1,193	\$21,500
Summer Fields South	45	43%	\$1,459	\$29,444
The Gallery	40	37%	\$4,291	\$44,750
Meriton on Main Beach	30	36%	\$6,088	\$55,900
Magnoli Apartments	30	14%	\$1,938	\$58,967
Kirra Beach	26	51%	\$10,479	\$73,269

The subject complex analysed figure is within the range of the analysed sales and therefore acceptable.

7.2.5 Management & Letting Rights Value/Total Lots Comparison

We have analysed the adopted figure to reflect a Management & Letting Rights Value/Total Lots (i.e. the purchase price of the Management & Letting Rights divided by the number of lots in the complex). The results are as follows:

Complex	Total Lots	NOP	MLR Value/Total Lots
The Gallery	109	\$343,586	\$16,422
Meriton on Main Beach	83	\$328,000	\$20,205
Kirra Beach	51	\$350,931	\$37,353
Summer Fields South	104	\$240,298	\$12,740
Sage Apartments	167	\$253,363	\$8,368
Magnoli Apartments	210	\$310,125	\$8,424

The analysed figure is **below** the range of sales principally due to the relatively large size of the complex, relatively low letting pool and relatively low percentage of ancillary revenue to the business as a percentage of Gross Revenue. This analysis confirm that the subject property is not overpriced compared to the sales evidence.

7.2.6 Return on Investment (ROI) Comparison

The sales evidence provides returns on investment, (i.e. the net operating profit divided by the total value of the Management & Letting Rights and Manager's Unit/Lot). The comparisons are as follows:

Complex	ROI
Magnoli Apartments	11%
The Gallery	12%
Meriton on Main Beach	12%
Kirra Beach	13%
Sage Apartments	13%
Summer Fields South	14%

The subject complex analysed figure is within the range of the analysed sales and therefore acceptable.



7.3 MANAGEMENT & LETTING RIGHTS SALES ANALYSIS COMPARISON

Complex	NOP	Units Let	Yrs Remain	Multiplier
Summer Fields South	\$240,298	45	21	5.51
Sage Apartments	\$253,363	65	21	5.52
Magnoli Apartments	\$310,125	30	25	5.70
Meriton on Main Beach	\$328,000	30	20	5.11
The Gallery	\$343,586	40	25	5.20
Kirra Beach	\$350,931	26	24	5.43

As a final analysis, the adopted multiplier of **5.20** for the subject complex business is within the body of sales evidence and therefore acceptable.



8. ALTERNATIVE VALUES MATRIX

Following is a table reflective of the possible variances of the assessed value, depending upon the **actual number of units being included in the letting pool**. Once the number is confirmed, the adopted value of the business corresponds to that confirmed number.

The Reviewing Accountant has projected a total of 40 units in the letting pool. We have not been provided with any pre-sale information.

Note: Should the actual letting pool be lower than the projected letting pool of 40 units, the lower assessed value as below should be adopted.

		Alt Price	
	NOP	(not rounded)	Multiplier
0	\$171,936	\$897,420	5.21
1	\$176,227	\$919,735	5.21
2	\$180,519	\$942,049	5.21
3	\$184,810	\$964,364	5.21
4	\$189,101	\$986,678	5.21
5	\$193,392	\$1,008,993	5.21
6	\$197,684	\$1,031,307	5.21
7	\$201,975	\$1,053,622	5.21
8	\$206,266	\$1,075,936	5.21
9	\$210,557	\$1,098,251	5.21
10	\$214,849	\$1,120,565	5.21
11	\$219,140	\$1,142,880	5.21
12	\$223,431	\$1,165,194	5.21
13	\$227,722	\$1,187,509	5.21
14	\$232,014	\$1,209,823	5.21
15	\$236,305	\$1,232,138	5.21
16	\$240,596	\$1,254,452	5.21
17	\$244,887	\$1,276,767	5.21
18	\$249,179	\$1,299,081	5.21
19	\$253,470	\$1,321,396	5.21
20	\$257,761	\$1,343,710	5.21
21	\$262,052	\$1,366,025	5.21
22	\$266,344	\$1,388,339	5.21
23	\$270,635	\$1,410,654	5.21
24	\$274,926	\$1,432,968	5.21
25	\$279,217	\$1,455,283	5.21
26	\$283,509	\$1,477,597	5.21
27	\$287,800	\$1,499,912	5.21
28	\$292,091	\$1,522,226	5.21
29	\$296,382	\$1,544,541	5.21
30	\$300,674	\$1,566,855	5.21



31	\$304,965	\$1,589,170	5.21
32	\$309,256	\$1,611,484	5.21
33	\$313,547	\$1,633,799	5.21
34	\$317,839	\$1,656,113	5.21
35	\$322,130	\$1,678,428	5.21
36	\$326,421	\$1,700,742	5.21
37	\$330,712	\$1,723,057	5.21
38	\$335,004	\$1,745,371	5.21
39	\$339,295	\$1,767,686	5.21
40	\$343,586	\$1,790,000	5.21



9. VALUATION

Subject to the overriding stipulations and assumptions contained within this report, we are of the opinion that the Market Values of the Manager's Office (Lot 1) and Manager's Unit (Lot 801) and the Management & Letting Rights business for the subject complex, situated at "The Gallery Residences", 28-30 Second Avenue, Broadbeach, QLD, 4218 as at 17 September 2021 are:

Manager's Office (Lot 1): \$80,000 (Eighty Thousand Dollars)

Manager's Unit (Lot 801): \$900,000 (Nine Hundred Thousand Dollars)

Management & Letting Rights: \$1,790,000 (One Million Seven Hundred and Ninety Thousand Dollars)

Total: \$2,770,000 (Two Million Seven Hundred and Seventy Thousand Dollars)

The above assessments of value are net of GST that may be calculated on the sale of the property and business.

ASSUMPTIONS, CONDITIONS AND LIMITATIONS

This valuation is prepared solely for the use for its own purposes of the party to whom it is addressed. We do not contemplate or accept any responsibility for the whole or any part of the contents of this valuation to any other party using the same or to whom the same is communicated without written consent from this Company.

Neither the whole nor any part of this valuation report or any reference thereto, may be included in any published documents, circular or statement, nor published in part nor in full in any way without written approval of the form and context in which it may appear. This report is not to be used for Mortgage Security nor will it be assigned for Mortgage Security. Furthermore, no responsibility is accepted for any third party which may use or rely upon the whole or any part of the contents of this report.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

We have carried out an inspection of the exposed and readily accessible areas of the improvements. However, the Valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness of the improvements. Readers of this report should make their own enquiries.

The Manager's Unit and Management & Letting Rights business is being valued for the sole and exclusive use of Raptis Group Limited and Hall Chadwick Corporate (VIC) Pty Ltd for inclusion as an appendix to the Independent Expert Report to be circulated with the Notice of Meeting and Explanatory Memorandum to Raptis Group Shareholders and should not be used or relied upon for any other purpose.

The report is not to be relied upon by any other person or for any other purpose. We accept no liability to third parties nor do we contemplate that this report will be relied upon by third parties. We invite other parties who may come into possession of this report to seek our written consent prior to them relying on this report. We reserve our right to withhold consent or to review the contents of this report in the event that our consent is sought.

Per: Ekaterina Ivandikova AAPI CPV
QLD Registered Valuer No. 3929MR

QLD Registered Value in

Per: Craig Smith Director

C. A Smith

Our Reference: 41062

Note: The counter signatory (Director) verifies that this report is genuine and endorsed by Australian Valuers. The opinion of value expressed in this report has been arrived at by the prime signatory alone.



10. ENCLOSURES

- LETTER OF INSTRUCTIONS.
- LETTER FROM HALL CHADWICK DATED 15 SEPTEMBER 2021.
- ACCOUNTANTS REPORT.
- SCHEDULE OF DOCUMENTS RELIED UPON.
- CV.

2:45 PM (40 minutes ago)

11/08/2021

Malcolm Cory <mcory@raptis.com>

to Australian, Ekaterina

Hi Jemma

Can you let Ekaterina know that the report should be following the normal process used for Mortgage purposes, but that the same minor wording adjustments used in the previous report is the format of report we require. A formal letter of instruction will issue early next week but I confirm that the quote is accepted and as a Director of Raptis Group Limited confirm we will pay the full fee prior to release of the signed valuation report.

The documentation for George Avenue is not yet in place. I am hoping the valuation can include a claw forward and back assumption depending on the number of units in the letting pool.

Thank you

Malcolm Cory

From: Australian Valuers < quotes@australianvaluers.com.au >

Sent: Wednesday, 11 August 2021 2:28 PM

To: Malcolm Cory < mcory@raptis.com >; ekaterina@australianvaluers.com.au

Cc: quotes@australianvaluers.com.au

Subject: Quote Request - 'The Gallery' 28-30 Second Avenue, Broadbeach; 'Pearl Residences' Aloha Lane and Main Beach Parade, Broadbeach and 'George Residences' 6-8 George Avenue, Broadbeach QLD 4218 - Our Ref: 41062, Your Ref:

Dear Malcolm Cory,

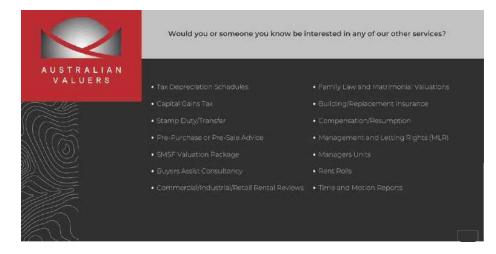
Thank you for choosing Australian Valuers.

We confirm your request for a quote on the following property:

'The Gallery' 28-30 Second Avenue, Broadbeach; 'Pearl Residences' Aloha Lane and Main Beach Parade, Broadbeach and 'George Residences' 6-8 George Avenue Broadbeach QLD 4218

Our formal quote is attached for your information and is valid for 30 days. To accept this quote, please reply with your confirmation and additional requested information and we will proceed with commencing the valuation process for you.

If you have any further queries in relation to this matter, please do not hesitate to contact me on the details listed below quoting reference 41062.





Kindest Regards,

Jemma Cox Australian Valuers 1800 664 094

<u>quotes@australianvaluers.com.au</u>

www.australianvaluers.com.au

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Hi Malcolm Cory,

Management & Letting Rights Fee Proposal

'The Gallery' 28-30 Second Avenue, Broadbeach; 'Pearl Residences' Aloha Lane and Main Beach Parade, Broadbeach and 'George Residences' 6-8 George Avenue, Broadbeach QLD 4218

Thank you for your request to provide a Fee Proposal on the above properties for 'Mortgage Security' purposes. In order to carry out the research and investigations required to complete the valuation, our professional fee would be:

Valuation Fee: \$13,500.00 (Plus GST) **Total Fee:** \$14,850.00 (Inc GST)

If you agree with this and require the valuation please respond to this email in agreement and we will proceed with your request. Could you also provide or confirm the following information:

- Who the valuation is to be addressed to;
- Your contact phone number;
- Your postal address; PO Box 25, Surfers Paradise
- Report and Invoice email addresses; mcory@raptis.com
- Contact details for access to the property (if required);
- Accountants Verification Report (see below minimum requirements) no more than three (3) months old;
- Registered Building Plan;
- Community Management Statement including By Laws;
- Caretaking & Letting Agreement(s), Deed(s) of Variation, and Deed of Assignment reflecting the current operator.
- How you heard about Australian Valuers eg Google, referral, existing client, current offer, Facebook.

Valuation Process

After we receive your instruction we will set the file up in our management system and start the procedure. The process from there is as follows;

- 1. Job set up/registration. An email will be sent to you as confirmation of receipt of instruction and will also include an invoice. **Please note payment is required prior to the report being released.**
- 2. Inspection appointment set with email sent to inform you of this time.

The Valuer will need to:

- Inspect the common grounds;
- Obtain details of any recent/proposed major refurbishments;
- Review the POA/PAMD 20a Letting appointments in the letting pool, if required;
- Obtain a copy of a typical POA/PAMD Form 20a;
- The inspection takes approximately 1 to 1.5 hours.
- 3. Valuation report completed and report emailed to you.

Valuation Report

The Valuation report will include details about the complex, the business, analysis of the Net Operating Profit figures, sales evidence of Management & Letting Rights, adopted multiplier and adopted valuation figures.

We can have the report completed within 10 working days from date of instruction and receipt of all documentation.



Cancellation Policy

Please note that the following fees may apply if the valuation request is cancelled after instruction:

- Prior to inspection appointment being made No fee;
- On the day of, but prior to, the inspection 10% of fee;
- After inspection but prior to report completion 25% of fee;
- 24 hours after inspection has occurred full fee.

Any additional expenses for search fees will also be added to the above fees.

Payment Terms

Please note payment terms are 7 days from receipt of invoice and payment is required prior to the report being released. Invoices outstanding for more than 90 days may be passed on for further legal action and additional expenses incurred with this action will be added to your original invoice amount.

Please be aware the valuation report has a life of three (3) months from the date of inspection.

Please note we will send the final report in PDF format via email unless it is pertinent hard copies be posted.

If you have any further queries, please do not hesitate to contact our office on the below details.

Thank you for doing business with Australian Valuers.

Sincerely,

Ekaterina Ivandikova

Australian Valuers

quotes@australianvaluers.com.au www.australianvaluers.com.au

Phone: 1800 664 094



Management & Letting Rights Accountants Report Minimum requirements for Established businesses

The Net Operating Profit is defined in clause 12.1(a) of the REIQ Standard Conditions of Sale are as follows:

"For the purpose of this clause Net Operating Profit shall be calculated by deducting from the gross income for the business for the relevant period the actual expenses of operating the business for that period (in particular excluding depreciation, borrowing expenses, interest on borrowings and any payment of labour related to work which would be performed by a two person resident management team)."

- Consent for Australian Valuers to rely on the Accountants report
- Figures for a defined 12-month period, and no more than 3 months old
- Quantity of units in the letting pool
- List showing each unit number in the letting pool
- Break-up of units in the letting pool (short term, leaseback and permanent let)
- Break-up of unit types in the letting pool (one, two and three bedroom units etc)
- Break-up of units in the complex (units in the letting pool, outside agents, owner occupied etc)
- Letting Appointment summary (for Verification reports)
- Confirm whether Managers Unit income was included or excluded
- Occupancy Rates (Short term letting) reflecting the same period
- Average Room Rates (Short Term letting) reflecting the same period
- Current rentals (Permanent Letting)
- Separation of Permanent and Short Term letting commissions, if any
- Explanatory notes of each major income and expense
- Report to include vacancy rates, reduction in rent and arrears
- 12 month projection for permanents to include increased vacancy and reduced rents (discuss with Valuer)
- 3 year projection for short term to include increased vacancy and reduced rents (discuss with Valuer)
- Statement whether a 2 person team could operate the business and details of any additional required wages (job role, hours worked)
- Identify office hours
- Separation of Leaseback, Food & Beverage, Conference Room income components if any, 'below the line'
- Credit Card commissions: Explanation required from Accountant in view of the change of law from 1 September 2017 (Short Term letting)
- Internet and Advertising: Where Letting Appointments do not allow profit to be generated, it needs to be separated 'below the line'
- Exclusion of non-recurring income and expenses
- Exclusion of outside lettings, sales commissions or other income earned from outside the scheme, if any

Please do not hesitate to contact us on 1800 664 094 or email quotes@australianvaluers.com.au with any queries.



STRICTLY CONFIDENTIAL

15 September 2021

Ms Ekaterina Ivandikova Australian Valuers PO Box 6033 Marochydore QLD 4558 Email: ekaterina@australianvaluers.com.au

Dear Ms Ivandikova

Re: Independent Expert Report
Raptis Group of Entities (Raptis)

We have been engaged by Raptis to provide an independent expert report (IER) in respect of the following proposed transactions with Associated Entities as defined in the the Corporations Act 2001 (Cth) (Corporations Act) which requires consent of the Non Associate Shareholders to proceed:

 Raptis' acquistion of management rights from an Associated Entity in relation to Gallery Residences at Broadbeach and Pearl Residences at Main Beach (the Management Assets)

(referred to as the **Proposed Transactions**)

We seek to engage you to prepare a valuation of the Management Assets for the following developments:

- Gallery Residences at 28 to 30 2nd Avenue Broadbeach QLD
- Pearl Residences at 3550 Main Beach Parade Main Beach QLD
- Lot 801 Survey Plan 313520 Gold Coast

1. Purpose and Scope

The purpose of the valuations is to provide an opinion as to the value of the management rights so that Hall Chadwick Cpororate may form an opinion as to wether the proposed transaction is fair and reasponable for the Non Associated Shareholders of Raptis and to assist in providing those shareholders with all the information that they may reasonably require for them to make a decision to vote in favour or not of the Proposed Transactions.

Your report will be appended to our IER to be circulated with the Notice of Meeting and Explanatory Memorandum to Raptis' Shareholders and to be lodged with ASIC and the ASX.





Please ensure that your report:

- Provides a list of any documents relied on in preparing the report
- Clearly states the conclusions and set out the methodology applied in reaching conclusions
- Include a copy of your CV
- State that you have complied with any relevant professional codes of protocol and identify those codes of conduct or protocol
- State that you are independent and impartial

Your report should also be prepared in compliance with the International Valuation Standards prescribed by the International Valuation Standards Council requirements and Regulatory Guide 112 Independence of Experts (**RG112**).

In particular, we ask that you provide a draft copy of your report to us **directly** for factual confirmation prior to releasing the final report. The draft report should not contain your analysis, methodologies employed or opinion. Please refer to attached RG112 (page 17, RG112.54 to RG112.58).

2. Documents

We ask that you liaise directly with Raptis in respect of any documents or information that you require to complete your report. Please ensure that we are copied in all written correspondence between Australian Valuers and Raptis.

3. Fees

Raptis will be responsible for your fees and disbursements directly.

If you would like to discuss any of the above, please do not hesitate to contact me on 9820 6400.

Your faithfully

Mark Bailey Director

HALL CHADWICK CORPORATE (VIC) PTY LTD



15 July 2021

The Directors
Raptis Group
Level 3
25 Elkhorn Avenue
Surfers Paradise

Dear Directors

Verification Report Gallery Residences Management Rights

We submit herewith our report on the verification of the net operating profit of Gallery Residences Management Rights.

Purpose of Report

This report has been prepared specifically for the abovenamed to assist with the valuation of the Management Rights at Gallery Residences.

Verification of Profit Statement

We have prepared a projected cash flows for the year ending 30 September 2022 which results in a profit of \$316,532 and estimate that the profit for a normal ongoing year will be approximately \$343,586.

Scope of Examination

1. Records

As the complex is presently being constructed there is some historical data on letting trends and weekly rentals based on what will be rented by the end of September 2022. We have therefore prepared the cash flow on the basis of information provided by the developer, our assessment of general industry charges and standards is based on our extensive experience and data base of clients in the industry.

2. Management Agreement

We were not provided with a copy of the Management Agreement, but are advised it will be a standard "do all" agreement wherein the Managers are responsible to perform all functions such as cleaning and maintenance of the common areas etc. It is expected that the management agreement will be regulated under the 'Accommodation' Module regulations.

3. Definition

For the purpose of this report we have relied on the usual definition of net operating profit as defined in the REIQ contract of sale conditions which states that the net operating profit "shall be calculated by deducting from the gross income of the business for the relevant period the actual expenses of operating the business for that period (excluding depreciation, borrowing expenses, interest on borrowing and any payments for labour related to work which could normally be performed by a two person resident management team)".

The calculation of net operating profit is made on the basis of excluding any payments to or allowance for work which the typical two person Management team could reasonably undertake.

This approach in calculating net operating profit is in our view the generally accepted approach within the Management Rights industry.

4. General Building Details

Location: 28-30 2nd Avenue

BROADBEACH QLD 4218

Units: 108 (81 two bedroom units, 26 three bedroom units, 1 four bedroom

unit)

Letting Pool: 30 Permanent once fully established (23 two bedrooms, 7 three

bedrooms)

10 Holiday once fully established (7 two bedrooms, 3 three bedrooms)

The major sources of income of the Management Rights will be as follows:-

Body Corporate Salary

- Letting Commissions
- Cleaning and Linen

5. Complex & Letting Pool

The developer advised that construction on the complex is expected to be completed by September 2021. The complex will consist of 81 two bedroom units, 26 three bedroom units and 1 four bedroom unit. It is assumed that the complex will be operated by a two person management team who will be the owners of the Management Rights. It is anticipated that there will be 40 units in the complex owned by investors.

These units are generously sized ones close to the Florida Gardens tram station, Cascade Gardens, Broadbeach Bowls Club, Broadbeach Surf Club, a short drive to Pacific Fair and Oasis shopping centres, The Star casino, Broadbeach restaurant precinct and Surfers Paradise. There is a gymnasium, a rooftop area with a pool, kitchen and BBQ. There will be an office only in the complex.

6. Managers' Duties

The manager is expected to attend to the letting and servicing of the units and undertaking the duties specified in the Agreement with the Body Corporate. It is assumed that the manager will attend to all duties associated with conducting the business and may use the services of contract cleaners, contract maintenance and gardeners when required.

The duties required in operating a Management Rights of this size include such items as cleaning of the common areas, maintenance of the gardens, grounds, general reception and administrative duties.

7. Goods and Services Tax (GST)

All income and expenses shown in the cash flow are net of GST. The services provided within the Management Rights business are treated as 'taxable supply' for GST purposes and as such GST is required

to be levied on them. Generally, the managers are also entitled to a credit for any GST paid on supplies associated with operating the business. The managers are required to charge GST on all services provided to the owners and the tenants including Body Corporate Salary, Commission, and Postage & Petties.

Analysis of Trading Results

The developer advises that in Gallery Residences there will be 40 units in the letting pool once fully established. For the purposes of the projected cash flow we have assumed that in the first year it will take four months to fill the letting pool once all stages are completed and there will be 30 permanent units and 10 holiday units in the letting pool ready to be rented by October 2021. We have used the following average weekly rental based on the rents being asked:

Type of Apartments	Market Rent
2 Bedroom units	\$700.00 per week
3 Bedroom units	\$800.00 per week
Holiday Average Rate	\$200.00 per night

It is assumed that during the stages the permanent apartments will be fully rented over the first 4 months of the operations and will be occupied for 50 of 52 weeks or 2 weeks vacancy at a rate of 96%. We have based our holiday rates on an average of buildings in the area and have used an occupancy rate of 60% for the year at an average daily rate of \$200.00.

We have prepared projected cash flows for the first year of operation dissected monthly and for a normal ongoing year. The cash flow we have prepared results in a net profit of \$316,532 for the first twelve months of operation and for a normal ongoing year the net profit is \$343,586.

While there are other activities such as maintenance and PABX which may generate income for the managers, the net operating profit of \$343,586 is approaching the maximum level of income the managers will be able to generate from the complex.

The net profit achievable from this type of business is directly related to the number of units in the letting pool, occupancy levels, the amount of rent received from the units and the amount of advertising required filling vacant units. A change in any one of these will significantly affect the net profit achievable from the business. Other income may be derived from such sources as maintenance work depending upon the skills of the managers.

Specific Items

1. Body Corporate Management Salary

The Body Corporate Management Salary as specified in the Management and Letting Agreement for the Residential Scheme is to be paid monthly in arrears and is to be set at \$1,592.00 per annum for each unit. This will result in an annual salary of \$171,936 plus GST. The Management and Letting Agreements state that the salary is to increase annually by CPI. We have not made any allowance for CPI in our normal ongoing year calculation.

2. Letting Commissions and Letting Fees

The projected cash flow has been prepared on the basis of 30 permanent units in the letting pool all being let on a permanent basis with commission rates of 7% plus GST together with a letting fee equal

to the first week's rental plus GST and a relet of \$200.00 plus GST for tenants who renew their lease. Each unit has been treated as being let at least once during the year with a projection of 1 letting fee per annum.

The holiday units have been based on an average daily rate of \$200.00 per night at an occupancy or 60% with gross accommodation income of \$438,000 for the year. The commission rate is 12% plus GST.

3. Cleaning and Linen Hire

The complex will consist of a number of 2 and 3 bedroom units. The cleaning charge is \$65.00 plus GST for the 2 bedroom units and \$85.00 plus GST for the 3 bedroom units. The departure cleans and linen is based on an average of 4 night stays. We have assumed the cleaners will be contractors and have assumed a profit margin on cleaning will be 40%.

The charge for linen is \$14.00 plus GST per person. It is assumed the profit margin will be 60% on linen hire and that the linen will be outsourced by a provider.

4. Statement Fees

It is expected that a monthly fee of \$5.00 plus GST for permanent units and \$6.00 plus GST for holiday units will be charged for the office costs such as postage, stationery, telephone calls etc.

Expenses

We have included in this category estimates of those expenses which are directly applicable to the operations of the business and normally included in this type of analysis. Expenses included for verification purposes are those expenses which are directly applicable to the operations of the business and other elective or personal expenses of the manager are disregarded. We have shown a cost of a contractor to help with the cleaning and other duties as expected by the duties in the Body Corporate contract of \$500.00 per month or \$6,000 per year.

We have not included the following expenses as is normal accounting practice for the Management Rights industry:-

- Interest on borrowed funds
- Borrowing expenses
- Depreciation
- Wages for two person resident Management team.
- Leasing or finance on any equipment
- Holding costs of Managers residence
- Motor Vehicle (Nominal running costs have been included)
- Income Tax

If you have any queries in relation to this please contact me.

Yours sincerely

Paul Shannon

Partner

Crest Accountants

E-mail: ps@crestaccountants.com.au

Enclosed: Cash Flows for the Period after completion

Estimated Profit and Loss Statements

Crest Accountants Pty Ltd 4 Miami Key BROADBEACH QLD 4218 07 55380999

LETTING POOL: 30 PERMANENT 10 HOLIDAY

PROJECTED CASH FLOW FOR GALLERY RESIDENCES FOR YEAR ENDING 30 SEPTEMBER 2022

														NORMAL
	October	November December	December	January	February	March	April	May	June	July	August	September	TOTAL	TEAR
INCOME														
Management Fee	14,328	14,328	14,328	14,328	14,328	14,328	14,328	14,328	14,328	14,328	14,328	14,328	171,936	171,936
Letting Commission - Holiday	2,628	2,365	2,628	2,628	3,154	4,730	4,730	3,679	3,154	4,205	3,154	5,256	42,311	52,560
Letting Commission - Permonent	1,691	3,383	5,074	6,328	6,328	6,328	6,328	6,328	6,328	6,328	6,328	6,328	67,102	75,950
Letting Fee	5,800	5,800	5,800	4,300	0	0	0	Ф	0	0	0	0	21,700	21,700
Holiday Cleaning	2,053	1,848	2,053	2,053	2,464	3,696	3,696	2,874	2,464	3,285	2,464	4,106	33,055	41,063
Holiday Linen	1,916	1,725	1,916	1,916	2,300	3,449	3,449	2,683	2,300	3,066	2,300	3,833	30,852	38,325
Administration Fee	ß	105	155	200	200	200	200	200	200	200	500	200	2,110	2,400
	28,467	29,553	31,955	31,754	28,773	32,731	32,731	30,092	28,773	31,412	28,773	34,051	369,065	403,934
OUTGOINGS														
Audit & Accounting Fees	0	0	200	0	0	200	0	0	800	0	0	3,000	4,500	4,500
Bank Charges	75	7.5	75	75	75	75	75	75	75	75	75	75	006	906
Computer Expenses	120	120	120	120	120	120	120	120	120	120	120	120	1,440	1,440
Contractor - Body Corporate Cleaning	200	800	500	200	200	200	200	200	200	200	500	200	9,000	6,000
Contractor - Cleaning Units	1,232	1,109	1,232	1,232	1,478	2,217	2,217	1,725	1,478	1,971	1,478	2,464	19,833	24,638
Insurance	2,500	0	0	0	0	0	0	o	0	0	0	0	2,500	2,500
Licence	1,000	0	0	0	0	0	0	0	0	0	0	0	1,000	1,000
Linen	792	069	792	191	920	1,380	1,380	1,073	920	1,226	920	1,533	12,341	15,330
Motor Vehicle Expenses	85	85	85	85	285	85	85	85	88	8	56	82	1,020	1,040
Printing & Stationery	20	20	SO	20	20	50	50	20	S	8	S	20	009	909
Subscription	009	0	0	0	0	0	0	0	0	0	0	0	900	909
Telephone & Internet	150	150	150	150	150	150	150	150	150	150	150	150	1,800	1,800
Total Outgoings	7,078	2,779	3,478	2,978	3,378	5,077	4,577	3,778	3,878	4,177	3,378	7,977	52,534	60,348
Surplus	21,388	26,775	28,476	28,775	25,395	27,654	28,154	26,315	24,895	27,235	25,395	26,074	316,532	343,586
CUMULATIVE SURPLUS	21,388	48,163	76,639	105,415	130,810	158,464	186,618	212,933	237,828	265,063	290,458	316,532		

Control of the Contro	
WEEKLY RENTAL MARKET VALUE	ν
2 Bedroom	700
3 Bedroom	8
Average Holiday Nightly Rate	200

GALLERY RESIDENCES MANAGEMENT RIGHTS ESTIMATED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDING 30 SEPTEMBER 2022

	Note	Income <u>\$</u>
Income		
Body Corporate Management Fee	1	171,936
Letting Commissions - Holiday	2	42,311
Letting Commissions - Permanants	2	67,102
Letting Fees	2	21,700
Holiday Cleaning	3	33,055
Holiday Linen	3	30,852
Administration Fees	4	<u>2,110</u>
		369,06 5
Expenses		
Accounting & Audit Fees		4,500
Bank Charges		900
Computer		1,440
Contractor - Body Corporate Cleaning		6,000
Contractor - Cleaning Units		19,833
Insurance		2,500
Licence Fees		1,000
Linen		12,341
Motor Vehicle Expenses		1,020
Postage, Printing and Stationery		600
Subscriptions		600
Telephone		<u>1,800</u>
		52,534
NET OPERATING PROFIT		316,532

To be read with attached notes and disclaimer Crest Accountants

GALLORY RESIDENCES MANAGEMENT RIGHTS ESTIMATED PROFIT AND LOSS STATEMENT NORMAL ONGOING YEAR FOR THE YEAR ENDING 30 SEPTEMBER 2022

Income	Note	Income <u>\$</u>
meonie		
Body Corporate Management Fee	1	171,936
Letting Commissions - Holiday	2	52,560
Letting Commissions - Permanants	2	75,950
Letting Fees	2	21,700
Holiday Cleaning	3	41,063
Holiday Linen	3	38,325
Adminstration Fees	4	2,400
		403,934
Expenses		
Accounting & Audit Fees		4,500
Bank Charges		900
Computer		1,440
Contractor - Body Corporate Cleaning		6,000
Contractor - Cleaning Units		24,638
Insurance		2,500
Licence Fees		1,000
Linen		15,330
Motor Vehicle Expenses		1,040
Postage, Printing and Stationery		600
Subscriptions		600
Telephone		<u>1,800</u>
		<u>60,348</u>
NET OPERATING PROFIT		343,586

To be read with attached notes and disclaimer Crest Accountants

Gallery Residences 2.xlsx

Schedule of Documents Relied Upon

Below documents were provided to us by Mr Malcolm Cory of "Raptis Group".

- Accountant's Report prepared by Mr Paul Shannon of "Crest Accountants" dated 15 July 2021.
- Disclosure statement in parts containing draft management agreements and community management statement and survey plan.
- Letting Appointments as provided.
- Pre-sales schedule named "Purchaser Details the Gallery".



EKATERINA IVANDIKOVA

AAPI, CPV – Business Valuer P: 1800 664 094 M: 0405 903 267 ekaterina@australianvaluers.com.au www.australianvaluers.com.au

BIOGRAPHY

Ekaterina has been with Australian Valuers since March 2017 and is a Senior Valuer with extensive experience in Management and Letting Rights valuations. Ekaterina is a Registered Property Valuer in QLD.

Ekaterina specialises in providing Management and Letting Rights valuations on the Gold Coast, Brisbane, Regional Queensland and Victoria.

QUALIFICATIONS

AAPI, CERTIFIED PRACTISING VALUER
 QUEENSLAND REGISTRATION NUMBER – 3929MR

EDUCATION

BOND UNIVERSITY
MASTER OF PROPERTY VALUATION

MOSCOW STATE UNIVERSITY OF GEODESY AND CARTOGRAPHY (RUSSIA)

DIPLOMA OF LAW (JURISPRUDENCE)
DIPLOMA CUM LAUDE (DIPLOMA WITH
DISTINCTION)
SPECIALISING IN CIVIL LAW, LAND LAW AND
ENVIRONMENTAL LAW

EXPERIENCE

AUSTRALIAN VALUERS | BRISBANE

2017 – Current MLR VALUER

BOND UNIVERSITY | GOLD COAST

May 2019 – August 2019 LECTURER – 'Commercial Property Valuation'

CBRE | GOLD COAST

2014 – 2017 ASSISTANT COMMERCIAL VALUER

BOND UNIVERSITY | GOLD COAST

Jan 2015 – April 2015 LECTURER – 'Land Economy and Environment'

HERRON TODD WHITE

2013 – 2014 ASSISTANT RESIDENTIAL VALUER

CBRE | GOLD COAST

2012

INTERNSHIP - HOTEL VALUATIONS

PROPELL NATIONAL VALUERS

2012

INTERNSHIP





APPENDIX D - AUSTRALIAN VALUERS REPORT — PEARL MANAGEMENT ASSETS

LOCATION: OFF THE PLAN: "PEARL MAIN BEACH",

LOT 1, 3550 MAIN BEACH PARADE,

MAIN BEACH, QLD, 4217

DATE OF REPORT: 6 SEPTEMBER 2021

PREPARED FOR: THE MEETING OF THE MEMBERS OF

"RAPTIS GROUP LIMITED" AND "HALL CHADWICK CORPORATE (VIC) PTY LTD" FOR FINANCIAL REPORTING PURPOSES





MANAGER'S LOT AND
MANAGEMENT & LETTING RIGHTS VALUATION REPORT

www.australianvaluers.com.au



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1. BRIEF SUMMARY



Construction site

Name	Pearl Main Beach	Manager's Unit	: Value	\$80,000	\$80,000		
Address	1/3550 Main Beach Parade,	M&L Rights Val	lue	\$1,080,000			
	Main Beach, QLD, 4217	Total Value		\$1,160,000			
Туре	Apartment Complex	Valuation Date		6 September 2	2021		
Build Date	Proposed June 2022	NOP /Unit Let		\$293,180	\$9,162		
Units Let	32 (36%)	BC Salary	/Total Lot	\$145,200	\$1,631		
Total Lots	89	NOP Ex BCS	/Unit Let	\$147,980	\$4,624		
Use	Short-term & Long-term let	Multiplier	Multiplier				
Agreements	25 years to run	Return On Inve	stment	25%			
Regulation Module	Accommodation	Business Type		Off the plan			

"Pearl Main Beach" on completion will comprise a high-rise apartment complex situated within the established residential beachfront suburb of Main Beach. The complex has an Esplanade frontage.

The complex will be made up of 2, 3 and 4 bedroom apartments. The business will be made up of 7 short term/holiday let units, 25 long term let units, 56 owner occupied/externally let units and a Manager's Office Lot.

The Manager's Office/Reception facility (Lot 1) is situated on the ground floor - mezzanine of the complex. The lot is of 26 sqm.

Common facilities: Foyer, basement car parking, rooftop recreational area incorporating swimming pool, barbeque and recreational area, a function/lounge room, gymnasium, steam room, sauna.

Refer to Alternate Values Matrix in section 7.4 of the report which provides various scenarios depending on how many letting appointments are secured. Should the actual letting pool be lower than the projected letting pool of 32 units, the lower assessed value should be adopted.



1.1 KEY NOTATIONS

- 1. The Manager's Office Lot and Management & Letting Rights business is being valued for the Meeting of the Members of "Raptis Group Limited" and "Hall Chadwick Corporate (Vic) Pty Ltd" for Financial Reporting Purposes.
- 2. The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. We have seen global financial markets and travel restrictions and recommendations being implemented by many countries, including Australia. The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation, we consider that there is a significant market uncertainty. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

The current COVID-19 crisis had an immediate 6-12 months restriction on trade within the general business economy. Our assumption from continued government media updates is that 2021 and beyond will be a recovery period.

- 3. Our Valuation is provided on the basis of an 'arm's length' transaction (as per Market Value Definition and Going Concern Definition in Sections 2.6 and 2.7) excluding any distress or urgency of sale. Should the Lender however require a Valuation of the Management and Letting Rights real estate and business taking into account a 'distressed' sale situation we require the right to review and/or amend our Valuation.
- 4. The Manager's Office Lot and Management & Letting Rights business are not subject to any contracts of sale.
- 5. It is a critical assumption of this valuation that financial information as provided is true and correct.

The Management & Letting Rights valuation assessment has been made with reliance upon the Financial Verification Report prepared by Paul Shannon of "Crest Accountants" dated 15 July 2021 for the 12-month period ending 30 April 2023. We have adopted projections for "normalised" "normal ongoing year" of operation (once the complex has matured through a start-up phase).

The Accountant arrives at a Net Operating Profit (NOP) of \$293,180 based on 32 units let (7 short term and 25 long term).

There is a risk associated with forecasting future market rentals along with estimating the final percentage of lots within the onsite letting pool. There is an inherent risk that projections may not be achieved. Should this situation occur, then the value of the Management Rights Business will decline from that assessed.

- 6. The adopted NOP is made up of 313,560 Gross Income and of \$20,380 Operating Expenses. The Gross income is made up of \$168,360 (or 54%) from the letting component and \$145,200 (or 46%) from the caretaking component.
- 7. The analysed market data supports the NOP of \$293,180 therefore we have adopted the same for valuation purposes. It is a critical assumption that the subject complex is fully operational.



- 8. The Reviewing Accountant made an assumption that there would be 32 Letting Appointments in place (7 short term letting pool and 25 long term letting pool). It is a critical assumption of this valuation that the letting component would be made up of 32 valid and assignable letting appointments. Each letting appointment is between the individual lot owner and the on-site manager. Any intending financier should confirm that the number of valid and assignable letting appointments in place prior to advancing funding.
- 9. We have not received any copies of executed Form 6s.
- 10. We have requested but have NOT been provided with a copy of pre-sales schedule by Mr Malcolm Cory of "Raptis Group". We have no information as to how many units within the complex have been pre-sold to owners or to investors.
- 11. No Form 6 letting appointments have been executed to date.
- 12. We have not been provided with any information about rental guarantees. It is a critical assumption of this valuation that the Developer, and not the incoming Manager, is responsible for payment of any rental guarantees.
- 13. In order to assess the risk should any units be lost, we have calculated the value of a unit in the letting pool to be \$17,110/letting unit (rounded) based on the adopted NOP, excluding the Body Corporate Salary and adopted multiplier. Any loss or reduction of units will result in a reduced value of the MLR business by the letting unit rate, multiplied by the number of units lost from the pool.
- 14. We have been provided with unexecuted proposed Survey Plan, Community Management Statement, Caretaking Agreement and Letting Agreement for the complex. Our assessment is based upon these documents being executed as outlined within this report. This valuation is also subject to the completion of all specified works in line with council approved plans and a certificate of occupancy issued for all units. If this proves to be incorrect, we reserve the right to review/amend our valuation report and figures herein.
- 15. The management & letting rights business is made up of a letting component and a caretaking component. The letting agreement allows the on-site manager to provide a letting service to each individual lot owner within the complex. The caretaking agreement notes the remuneration for the performance of duties. The caretaking and letting agreements are between the body corporate and the on-site manager.
- 16. We are not accountants and therefore if an independent accountant's report verifying the net operating profit suggests something different from the numbers as stated, we reserve the right to both review and/or amend this valuation report herein.
- 17. Management & letting rights businesses and more particularly the individual lots within the letting pool are often the target of local property management agents. This may potentially cause an erosion of income to the business. This valuation assessment has been made on the basis that the lots in the letting pool as stated, remain constant.
- 18. The achievable market value of any management & letting rights business is based entirely upon prudent and quality management by the operator. This includes but is not limited to: maintaining a good working relationship with the body corporate and particularly the committee; maintaining good soft and hard copy records, particularly the letting appointments; conducting the duties as outlined within the caretaking and letting agreements and often going further than what's simply stated.



- 19. It is a critical assumption that there are no outstanding issues between the current manager and/or the body corporate and/or individual owners, which may impact on the management of the complex or the letting of individual lots. If the reliant party becomes aware of any significant outstanding issues not disclosed to us, this valuation must not be relied upon before first consulting with Australian Valuers to reassess any effect on the valuation.
- 20. In reliance upon this report, we strongly suggest to the reader that the report be read in its entirety.



1.2 SWOT ANALYSIS

Strengths

- On completion the complex will comprise a well-presented modern complex located in Main Beach.
- Proposed extensive and well-presented recreational facilities.
- 25 years to run on management agreements which is advantageous to the business as management & letting rights business is a diminishing asset.
- Single Body Corporate.
- No requirement to reside on-site or to purchase an apartment which increases an overall return on the investment.

Weaknesses

- There is a risk associated with forecasting future market rentals along with estimating the final percentage of lots within the onsite letting pool. There is an inherent risk that projections may not be achieved. Should this situation occur, then the value of the Management Rights Business will decline from that assessed.
- Total proposed operating expenses are slightly below the range of industry expectations for comparable complexes.
- The majority of proposed income is generated by letting component (as opposed to the caretaking component).

Opportunities

• Procurement of the units not within the letting pool by marketing to owners and negotiating competitive management fees for those lots currently with external agents.

Threats

- Continued State lockdowns and border closures over the remainder of 2021 and into 2022 as further waves of COVID-19 variants are located within the community.
- Outside agents competing for current units let at competitive management fees and charges.
- High level of comparable competition within the immediate vicinity.
- Any potential issues which may be experienced by the Manager in dealing with the Body Corporate and/or individual unit owners within the complex.
- Southeast Queensland, Queensland and/or Australian economic conditions changing.
- Decrease in the number of lots within the letting pool for reasons beyond management's control (i.e. lots being sold to owner-occupiers).

Risk Analysis

Property Risk Ratings	1	2	3	4	5	Market Risk Ratings	1	2	3	4	5
Location & Neighbourhood:		х				Recent Market Direction (price):			х		
Land (incl. Planning, title):		х				Market Volatility:				х	
Environmental Issues:		х				Local Economy Impact:			х		
Improvements:		х				Market Segment Conditions:			х		
*Risk Ratings: 1 = Low 2 = Low to	Medi	um 3	= Me	dium	4 = N	ledium to High 5 = High					

Comments made on risk ratings of "3", "4" or "5" as follows:

Recent Market Direction (price)

The management rights market experienced a strong uptrend in buyer activity after a low point in 2013 to reach a peak in 2017. The market then plateaued over 2018 and remained steady during 2018 to early 2019. Over late 2019 the market recorded historically high multipliers for management rights businesses as sales and stock levels remained tight and the number of buyers increased. This trend was temporarily suspended between March and June 2020 due to the sudden coronavirus outbreak however recent transactions indicate



the management rights market has been rather resilient with minimal effect on permanent business multipliers. Initial indications are that the strength of the permanent management rights market has continued into 2021 aided by historically low business lending rates.

It appears that the businesses netting above \$200,000 are in high demand and attract strong multipliers. Various agents call it a "seller's market". Historically high multipliers continue to be paid for high netting businesses in advantageous locations, which are viewed as scarce product. We note that Vendor price expectations remain high. Businesses netting less than \$200,000 are generally attractive to the first-time buyers. Various agents call it a "buyer's market", considering the current economic climate. Given our outlook on the current market, we would recommend caution be exercised.

Market Volatility - COVID-19 (Coronavirus)

The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. We have seen global financial markets and travel restrictions and recommendations being implemented by many countries, including Australia. The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation, we consider that there is a significant market uncertainty. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

Our assumption from continued government media updates is that the current COVID-19 crisis has an immediate 6-12 months restriction on trade within the general business economy. Following this, a recovery period for at least a further 12 months and beyond is expected.

Local Economy Impact

Various agents report longer marketing period.

Market Segment Conditions

An increased amount of refusals to consent to an assignment by the Body Corporates has been reported. We have observed that despite having a high number of offers to choose from, some Vendors prefer to select the most experienced operator who would be easier to train and would likely have a better chance of getting Body Corporate's approval. Refer to section "Market Commentary" in this report for details.

Limited comparable recent sales data is available for the comparable businesses of such size (i.e. within last 6 months).

Off the Plan

The improvements are to be constructed and should the property be sold prior to the completion of construction an amount less than the cost of construction is likely to be realised.



Instructed By

"Raptis Group Limited" and "Hall Chadwick Corporate (Vic) Pty Ltd" for Financial Reporting Purposes.

The Manager's Unit and Management & Letting Rights business have been valued for Financial Reporting Purposes as at 6 September 2021.

This report is not to be used for Mortgage Security nor will it be assigned for Mortgage Security to any nonauthorised deposit taking institution not regulated by APRA in accordance with the Banking Act 1959. Furthermore no responsibility is accepted for any third party which may use or rely upon the whole or any part of the contents of this report.

Previous Sale

Off the plan.

Real Property Description

Manager's Unit: Lot 801 Survey Plan 313520.

Registered Owner

Manager's Unit: Kyros Stage 3 Pty Ltd A.C. N. 618 217 977. Management & Letting Rights Business: To be confirmed.

Suitability As Security

This valuation may be relied upon for Financial Reporting purposes for both the property and the business. We confirm that both the property and the business represent suitable security for the purposes of Financial Reporting. This report however should be read in detail prior to lending. We note that our assessment is based upon the Management & Letting Rights Mortgagee having recourse under the BCCMA following a default, and as outlined in the Management & Letting Rights Valuation Commentary of this report. If this proves to be incorrect, we reserve the right to review/amend our valuation herein.

Reporting Requirement Statements

- We certify that this valuation type is not precluded under the terms of our current professional indemnity insurance.
- We confirm that the property has been identified by reference to the Registered Plan.
- The insurance replacement cost for the complex is the responsibility of the Body Corporate.
- We would consider the assessed values are achievable within a 3 to 6 month period provided both an appropriate and well-funded marketing campaign and experienced Management & Letting Rights Agent(s) are employed.
- We confirm that the Valuer nor Australian Valuers has no conflict of interest in the property, [Intentionally Deleted].

Prepared by:- AUSTRALIAN VALUERS

Per: **Ekaterina Ivandikova AAPI CPV**

Queensland Registered Valuer No. 3929MR



2. INTRODUCTION

2.1 SUBJECT PROPERTY

"Pearl Main Beach", 1/3550 Main Beach Parade, Main Beach, Qld 4217.

2.2 DATE OF INSPECTION AND VALUATION

6 September 2021.

2.3 INSTRUCTIONS

We refer to instructions issued by "Raptis Group Limited" requesting us to provide our opinion of market values of the Manager's Unit and the Management & Letting Rights business for Financial Reporting Purposes.

This report is not to be used for Mortgage Security nor will it be assigned for Mortgage Security to any non-authorised deposit taking institution not regulated by APRA in accordance with the Banking Act 1959. Furthermore no responsibility is accepted for any third party which may use or rely upon the whole or any part of the contents of this report.

2.4 INTEREST VALUED

The Manager's Unit has been valued on an unencumbered fee simple and unfurnished basis. The Management & Letting Rights Business has been valued on a 'Going Concern' on a 'walk in, walk out' basis and includes any inventory, chattels, plant and equipment pertinent to the operation of the Management & Letting Rights business.

2.5 BASIS OF VALUATION

The Valuation has been prepared on the basis of the Australian Property Institute and New Zealand Valuation Standards.

2.6 MARKET VALUE DEFINITION

In accordance with the International Valuation Standards Committee (IVSC), the definition of market value is as follows:

"Market Value" is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

However, real estate values vary from time to time in response to changing market circumstances and it should therefore be noted that this assessment of value is based on the facts and evidence as they existed as at the date of valuation and no warranty can be given as to the maintenance of this value into the future. It is therefore recommended that the valuation be reviewed periodically.

2.7 GOING CONCERN DEFINITION

A business is any commercial, industrial, service or investment entity pursuing an economic activity. Businesses are generally profit-making enterprises operating to provide consumers with products or services. Closely related to the concept of business enterprise are the terms operating company, which is a business that performs an economic activity by making, selling or trading a product or service and going concern, which is an enterprise normally viewed as continuing in operation in the foreseeable future with neither the intention nor necessity of liquidation or of curtailing materially the scale of its operations.

2.8 REAL PROPERTY DESCRIPTION

A Copy of the Title Search is not obtained as the property is not yet registered.



2.9 LOCATION

Distance from Surfers Paradise CBD: 7.2 kilometres north-east.

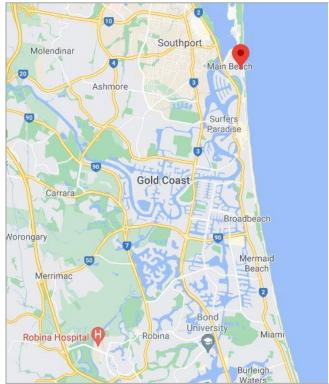
Distance from Gold Coast Airport: 24 kilometres north.

"Pearl Main Beach" complex is located within the established residential beachfront suburb of Main Beach. The complex is located within a short walking distance of the patrolled beach area. Main Beach is situated between Surfers Paradise tourism hub and Southport CBD, which is considered to have a positive influence on the occupancy rate. The suburb incorporates Marina Mirage shopping mall and marina and the SeaWorld theme park.

Surrounding development comprises numerous service apartments of various standard, apartment buildings and dwellings of various age and presentation,

Local buses frequently service the area. The Gold Coast Light Rail connect Surfers Paradise with Broadbeach South and Southport CBD. The nearest Light Rail station ('Main Beach') is approximately 700 metres south-west of the subject complex.





Source: Google Maps

Source: Google Maps





Source: https://www.raptis.com/pearl

2.10 PARENT PARCEL LAND DESCRIPTION AND SERVICES

Description: Regular in shape with good building contours.

Services: Water, sewerage, gas, electricity and telephone are connected to the

complex.

Vehicle Access: Via Main Beach Parade.

Local Authority: City of Gold Coast.

Classification/Zoning: High Density Residential under City Plan 2016.

Current Business Use: Residential.

Town Planning The subject business use appears to comply with the current zoning.

Flooding

The parent parcel is situated outside a potential flood inundation area as identified by the Gold Coast City Council. If you have further enquiries in this regard, we recommend that you or the borrower obtain a formal flood search.

Asbestos

Given the complex was constructed post 1990, we suggest they are likely to be free of asbestos products. During our limited site inspection, we did not observe any evidence of asbestos containing materials. If an experts report reveals something contrary to this opinion, we reserve the right to review/amend this report herein.

Heritage

The subject site is not affected by any heritage overlay.



Statutory Requirements

Our valuation has been undertaken on the assumption that the complex complies with the full requirements of the law including the current zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all authorities and that there are no outstanding requisitions.

We have not sighted any town planning approvals for the subject property. Our assessment is based on the assumption that all improvements have been approved by relevant authorities.

Non-Conforming Building Products Audit

The QBCC website advises the 'Non-Conforming Building Products Audit' must be completed for buildings which are: Class 2 to 9 of a Type A or B construction or have had the cladding altered after 1 January 1994 but before 1 October 2018. During our limited site inspection, we did not observe any evidence of cladding.



2.11 ASSUMPTIONS & LIMITATIONS

- 1 We certify that we have inspected the subject complex as described in this report.
- We are unaware of any potential road widening or zoning amendments together with any outstanding orders served or proposed upon the properties that may affect the value. We assume for the purposes of this report that the properties are free of these possible encumbrances.
- 3 That the property complies with all statutory requirements with respect to Occupational Health & Safety, Building and Fire safety regulations.
- 4 As we are not surveyors we cannot guarantee that there is encroachment by or over the subject property by adjoining properties.
- We have carried out an inspection of the exposed and readily accessible areas of the improvements. However, the Valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness of the improvements. Readers of this report should make their own enquiries.
- This report does not make any allowance for contamination of the land that may have occurred as a result of past usage and should any pollution or contamination be found to exist, the report should be referred back to the valuers for reappraisal.
 - We recommend that the reader satisfy themselves as to the extent of any contamination on the site and the costs associated with the clean-up of that contamination or pollution to the satisfaction of EPA requirements for the site.
- 7 That any imported fill was/is not contaminated.
- Whilst we have taken every reasonable care both during our inspections of the properties and in making relevant enquiries, we have not undertaken or requested a search of the Body Corporate records, conducted a Written Flood Search or Written Town Planning Certificate or an Identification Survey by a Licensed Surveyor, Main Roads Search or Soil Survey.
 - If these or other searches reveal any issue that may detrimentally affect the values or properties as stated, then the matter should be forwarded to the Valuer for further comment and/or amendment of this document.
- 9 We state that this report is for the use only of the party to whom it is addressed and to their mortgage insurer, if any. The report is to be used for no other purpose and no responsibility is accepted to any third party for the whole or part of its contents.
- I hereby certify that I personally inspected the property on the date stated in this report and have carried out the assessments as at that date. Neither I, nor to the best of my knowledge, any member of this firm, has any conflict of interest, or direct, indirect or financial interest in relation to this property that is not disclosed herein.
- 11 Limited Liability Scheme Liability limited by a scheme approved under Professional Standards Legislation.
- Solicitor Lender This valuation is not extended for the use of any Solicitor Lender which includes any Solicitor involved in arranging, controlling, managing, broking or otherwise inducing the lending on money on mortgage security.
- 13 Managed Investment Scheme This valuation is not to be used in connection with a managed investment scheme.
- Our assessment of the market values for the subject business is made on a GST exclusive basis and we have not taken into consideration the tax status of the parties concerned.
- The Management & Letting Rights business sale evidence is not available on Government records, the details are verbally advised by a selling agent. If any sales evidence proves to be incorrect, we reserve the right to both review and/or amend this report herein.
- This report **assumes** the complex is fully operational, has a minimum proposed Net Operating Profit of \$293,180 and a minimum of 32 units in the letting pool.



3. COMPLEX DESCRIPTION

TypeThe subject complex on completion will comprise a modern high-rise

apartment complex featuring 88 apartments and a Manager's Office

Lot.

Age Proposed June 2021.

Construction

Floors: Concrete

External Walls: Render on masonry

Internal Walls: Render on masonry and plasterboard

Window Frames: Aluminium

Common facilities

Foyer, basement car parking, rooftop recreational area incorporating swimming pool, barbeque and recreational area, a function/lounge room, gymnasium, steam room, sauna.

Condition

We have not carried out a structural survey, nor have we tested any of the services or installations and we are therefore unable to state that the building is free from defect. However, we have inspected the exposed and accessible parts of the property and have reflected the obvious condition and repair of the improvements as at the date of our inspection.

Major Refurbishments

The complex is under construction.

Presentation of the letting pool

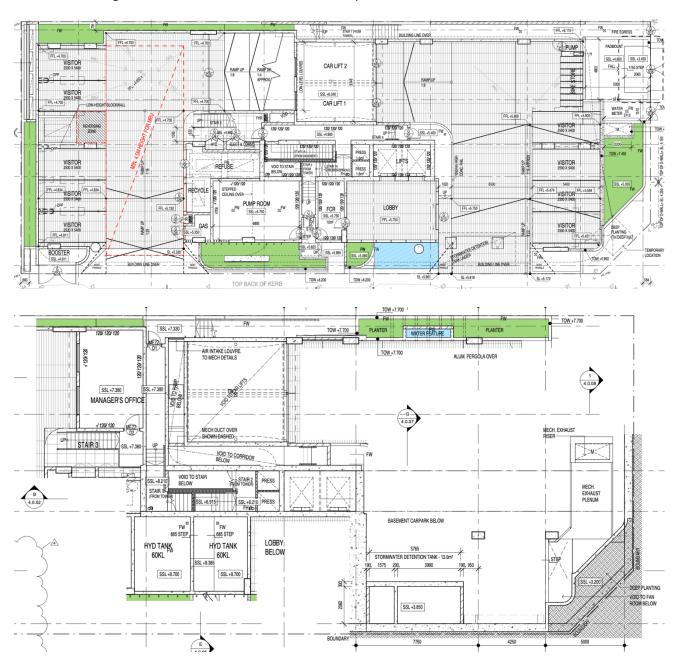
Under construction.

Sinking & Administrative Fund Balances

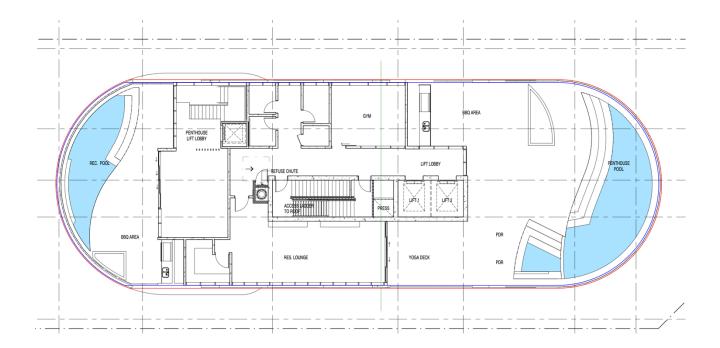
Not provided.



Plans of ground level, mezzanine level and rooftop.











Construction site



Construction site (view from Main Beach Parade)



Construction site



Construction site



Artist Impression



Artist Impression



Artist Impression



Artist Impression

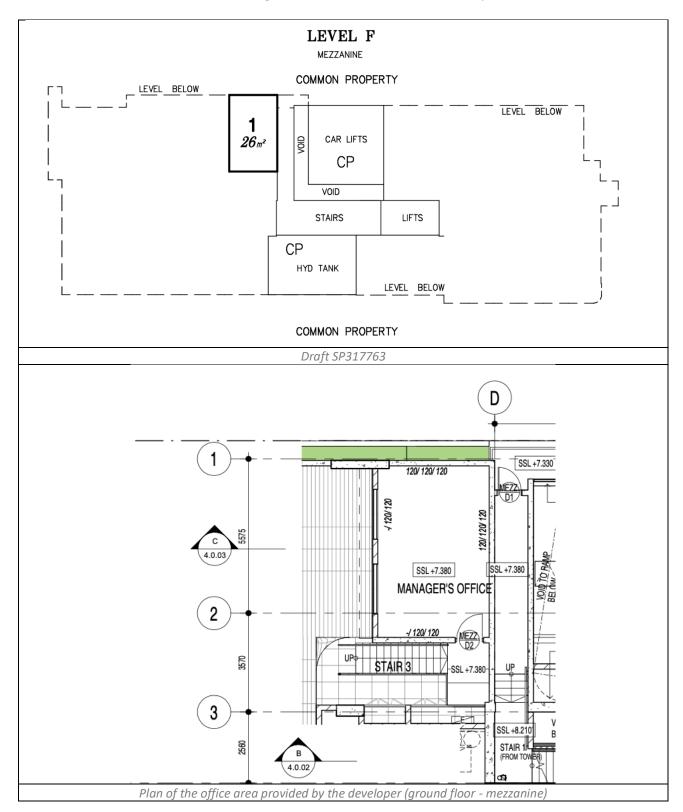


4. MANAGER'S UNIT DESCRIPTION

4.1 MANAGER'S OFFICE LOT 1

Type

The Manager's Office/Reception facility (Lot 1) is situated on the ground floor - mezzanine of the complex.





Floor Area (m²)

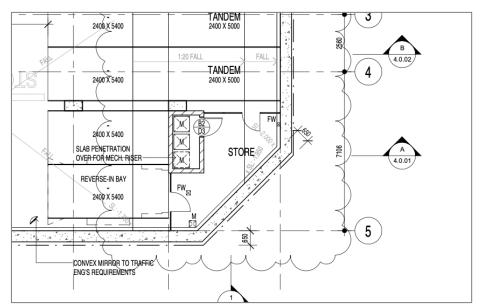
On-Title Area	m²
Office/Reception	26
Total	26

Exclusive Use Areas

Nil.

Occupational Authority Areas

• These areas are indicated on building plans provided to us by the Developer, but not on any plans attached to the Caretaking and Letting Agreements. The status of this areas remains unknown.



Basement storage



Condition

Under construction.

Storage

The storage and maintenance facilities available to the Manager are considered to be adequate.

We note that the on-site Manager uses some common property areas for conducting the business (incidental purposes), which is typical for the industry. It is a critical assumption of this valuation that such areas remain for the use of the Manager.

Exclusivity

The subject Manager's Lot (Lot 1) is nominated as the Caretaker's Lot in the Management Agreements and the Community Management Statement, i.e. the only lot from which management and letting of the subject property could be undertaken.

4.2 MANAGER'S UNIT COMMENTARY

State of the Market

Managers Lots historically have attracted a premium on the sale price, due to the exclusivity and right of Management as per the Management Agreements and Community Management Statement or the nature and extent of additional Occupational Authority and Exclusive Use areas. Premiums for the attachment of the management rights to the lot generally range between 5% and 15% over and above 'standard' residential value of the lot. Such premiums are linked to the attached Management & Letting Rights business and should the market soften, the premium may be reduced.

In regard to the "standard" units (not Manager's Units), agents are reporting that the most probable buyers are homeowner buyers, and not investors.

Commentary on the unit types

We note that there is limited evidence of sales of stand-alone Ancillary Manager's Lots, used as a storage area, function room, business centre, spa or any other similar purpose, as these areas typically either form part of the common property or granted to the Manager by way of occupational authority or are on-title to the Manager's Unit (residence).

Businesses providing short term (corporate/holiday) accommodation have significantly higher requirements for additional storage/workshop/linen areas as comparing to businesses providing long term accommodation.

Short term (holiday/corporate) let businesses usually have various storage, maintenance and linen areas for the use of the Manager, as well as easily accessible office/reception facilities (usually situated in a lobby area).

It is preferable for the Managers of the businesses providing long term accommodation to have access to an office facility. It is considered advantageous in terms of competing with numerous outside agents.

The Purchasers of management rights are generally prepared to pay premiums for the Manager's Lots to secure high-netting businesses with good return on investment. The desirability of the Manager's Lots is directly linked to the desirability of the business.

Sales Evidence and Assessments

Following are the relevant sales evidence accompanied by the valuation rationale.



4.3 SALES EVIDENCE – MANAGERS OFFICE LOTS

Address	Sale Price	Sale Date	On-title area (m²)	Analysis/m²
Lot 101, "Stanhill Residences", 266 Stanhill Drive, Surfers Paradise, Gold Coast	\$28,000	Jan-21	28	\$1,000

The subject complex comprises a modern medium-rise residential complex featuring 61 apartments (and a Manager's Office Lot). The Manager's Office Lot (Lot 101) is situated on the ground level of the complex (foyer). It comprises a small but functional facility with a good exposure. The on-title area of the lot is 28 sqm (20 sqm office and 8 sqm courtyard). There are no exclusive use areas attached to this lot. Built in June 2020. *This is a direct sale from the Developer*.

Comparison to the subject: Comparable on-title area, inferior age of improvements, comparable functionality, inferior location. It is our considered opinion that the lot was purchased below the market. Overall, **inferior.**

The sale comprises two modern internal offices without reception component situated in a modern lakefront apartment complex. The business provides long term accommodation. Manager's Lot 2001 is situated to Stage 2. It comprises a 28 sqm enclosed space with no reception window. Currently used as a storage. Manager's Lot 3022 is situated to Stage 3. It comprises a 28 sqm area with a reception window. It comprises a functional area, complemented by a kitchenette and a toilet. Currently used as an office. Built circa 2018. We note that these two units are complimentary to the "main" office/reception facility, which is on-title to the Manager's Residence.

Comparison to the subject: Comparable larger on-title area, inferior age of improvements, Inferior functionality, as the Manager's using the office/reception attached to the Manager's Unit as the main Manager's Lot. Dated sale, the market has improved since. Overall, **at or about.**

Let 1 and Let 2 "Maternaint" F Harbaur	\$80,000		17	¢4.706
Lot 1 and Lot 2, "Waterpoint", 5 Harbour	\$80,000	Jun-20	1/	\$4,706
Side Court, Biggera Waters, Gold Coast	\$160,000		26	\$3,077

There are two Manager's Lots in the complex. There is a Manager's Lot in Building 1 (Lot 1 SP279571), a Manager's Lot in Building 4 (Lot 2 SP294556). Lot 1 has an on-title area of 17 sqm and comprises a functional office/reception lot with good exposure. The lot is situated at the lobby and presents very well. There is a reception area, office area and rear office area. Survey Plan was registered in November 2015. Lot 2 has an on-title area of 26 sqm and comprises a functional office lot with good exposure. The lot is situated at the lobby and presents very well. There is an office area and a storage room. There is no reception area. Survey Plan was registered in August 2018.

Comparison to the subject: Comparable on-title area to lot 2, inferior functionality (office provision is over and above what is required to operate the business), inferior age of improvements. Overall, **at or about.**



Lot 31, "Mactaggarts Place", 53 Vernon Terrace, Teneriffe, Brisbane	\$80,000	Jan-20	14	\$5,714
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The Manager's Office lot is situated within a refurbished woolstore building. The business provides long term rentals. The Manager's Office adjoins the Manager's Unit. The Manager's Office is located on the ground floor level facing internally to common area. It comprises a functional facility of 14 sqm. The lot is complemented by an exclusive use car parking space. Built in 1995.

Comparison to the subject: Smaller on-title area, inferior age of improvements and presentation, provision of an exclusive use car parking space, comparable functionality. Overall, **at or about.**

Lot 104, "Atmosphere at Ashmore", 1 Hart Street, Ashmore, Gold Coast	\$104,000	Aug-20	45	\$2,311
-------------------------------------------------------------------------	-----------	--------	----	---------

"Atmosphere at Ashmore" is a low rise apartment development incorporating three stages. The first two stages have been completed and comprise 35 x one bedroom units, 44 x two bedroom units, 8 x three bedroom units, 1 x Manager's Office and a total of 88 residential lots. The third stage of the development is undeveloped, located opposite the complex to the western side of Hart Street and approved for an additional 86 units. The business provides long term accommodation. The Manager's Lot comprises a ground office/reception and storage area of 45m² situated opposite the main entry. Built in 2017.

Comparison to the subject: Larger on-title area, inferior age of improvements, inferior location. Overall, superior.

4.4 RESIDENTIAL LOT AND MANAGER'S LOT RATIONALE

Assessment – Manager's Office (Lot 1)

This valuation being done on a direct comparison basis, whereby the value of similar strata titled office units within management rights complexes have been compared to the subject property. The group of sales suggests the subject lot have a following market value:

- We have adopted a value of \$80,000 for Lot 1 of 26 sqm.

As a check method, we have analysed the adopted figure to reflect a dollar rate per square metre, i.e. the adopted rate divided by the on-title area. The analysed sales range between \$1,000 per sqm and \$5,715 per sqm. The subject Manager's Lot (Lot 1) reflects \$3,077 per sqm, a figure both within and supported by the body of analysed sales.

Body Corporate Record Search - The Manager's Unit has been valued without the benefit of searches of the body corporate records.

Insurance Search - Body Corporate responsibility.



5. BUSINESS DESCRIPTION

In arriving at our opinion of market value for the Management & Letting Rights component, we have considered pertinent facts of the business including the following:

5.1 BODY CORPORATE DOCUMENTS

- The Caretaking Agreement is made up of the Body Corporate Salary component. The Agreement is between the Body Corporate and the Current Manager (Caretaker) to carry out the duties generally to common property as set out in the Agreement.
- The Letting Agreement is between the Body Corporate and the Current Manager (Letting Agent). The Body Corporate grants the Vendor (Letting Agent) the right to erect signage to promote the Letting Agents services. It does not exclude external Letting Agents from conducting a letting service from an offsite office.

We have been provided with the following documents:

- 1. Proposed Caretaking Agreement, undated and unsigned.
- 2. Proposed Letting Agreement, undated and unsigned.

Note: We have not been provided with executed copies of Caretaking Agreement and Letting Agreement for the subject complex. Our assessment is based upon these documents being executed as outlined within this report. If this proves to be incorrect, we reserve the right to review/amend our valuation report and figures herein.

Note: Should a due diligence report reveal the existence of additional Agreements other than those listed above, we reserve the right to review/amend our valuation herein.

Note: A balance term of less than 15 years will generally impact upon the financing of the business. It is recommended that the Manager applies to the body corporate for a top up of the balance term remaining within the first two to three years as management and letting rights is a diminishing asset.

The Body Corporate: Pearl Main Beach.
The Caretaker: To be nominated
Commencement Date: To be nominated.

Original Term: 15 years. Option/s: 10 years.

Expiry Date: 25 years from the date of commencement (Assuming all

options are exercised).

Balance Term: 25 years (Assuming all options are exercised).

Reviews: Annually CPI.

Manager's Lot: Lot 1 in the Scheme. The Caretaker or the Nominee or

Appointee must the Caretaker's Lot.

The Caretaker, Nominee or Appointee must reside in a lot in the Scheme or within a 5 kilometres radius of the Scheme.

We note that the Caretaking Agreement have clause 20 "Special Conditions to Apply Whilst [to be inserted] is the Caretaker. Under this clause the requirement to own the lot or to reside in a particular area does not apply.



Office Hours: The Caretaker must be available at the Complex or contactable

by phone to assist the Body Corporate Representative, owners of lots, and tenants of lots in relation to the performance of the

Caretaking Duties.

Maximum Expenditure: Not specified.

Duties: Set in Clause 4.1 and Schedule B of the Management

Agreement. The duties are 'do all'/'full functional'. The duties for the complex do not appear overly onerous and appear to be in line with industry standards. Note: The Remuneration is paid for the performance of the duties and not for the provision

of letting services.

Community Management Statement

Summary details are as follows:

Execution Date: To be executed.

The Body Corporate: Pearl Main Beach.

Regulation Module: Accommodation.

Lots included: All lots within SP317763.

By Laws: To be included.

Caretaker's Lot:

Statutory Easements:

Schedule D – To be included.

Exclusive Use Areas:

Schedule E – To be included.



5.2 LETTING APPOINTMENTS

Overview

The letting component is made up of Letting Appointments. A Letting Appointment is a contract between the Lot Owner (Investor) and the Letting Agent for a period of time, to provide property management services on behalf of the Lot Owner (Investor). The Letting Agent generates income (Management Commissions, Letting Fees, etc.) as stated within the Letting Appointment from these units.

Note: We are not Lawyers, our assessment is based upon the income generated from the Letting Appointment is compliant with the Property Occupations Act. If this proves to be incorrect, we reserve the right to review/amend our valuation herein.

Letting Appointments entered into after 1 December 2014 require an executed PO (Property Occupations) Form 6. The Assignment Clause within the PO Form 6s automatically allows assignment. Each party can terminate the Letting Appointment by providing 30 days written notice.

Commentary

The Reviewing Accountant assumed that there would be **32 units** in the letting pool owned by investors (36% of all lots).

We relied on the summary of fees and charges provided by the Accountant, which could be summarised as follows:

GST Exclusive

- Commission and Management Fee: 7% of rent collected (permanent); 12% (short term).
- Letting commission: One weeks rent.
- Renewal fee: One half of one weeks rent.
- Miscellaneous, inclusive of but not limited to:
 - o Administrative Expenses: \$5.00 per month (permanent); \$6 (short term).
 - o Cleaning and Linen Hire: \$65 for 2 bedroom units & \$85 for 3 bedroom unit.
 - o Linen: \$14 per person.

Overall, we consider the fees and charges to be in line with industry expectations.

Pre-sales within the complex

We have been provided with a copy of pre-sales schedule named "Purchaser Details – the Gallery" by Mr Malcolm Cory of "Raptis Group". Based on this schedule, a total of 26 units have been pre-sold to investors, 54 unit have been pre-sold to owner occupiers (incl. Lot 801), and 28 units remain unsold (and could be purchased by investors or owner occupiers).

Based on this information, the projected number of units in the letting pool (40) appears to be achievable. However, the possibility remains that a number of available units would be sold to owner occupiers.

There is also a possibility of some units purchased by investors will be given to an outside agent for management.



5.3 OTHER BUSINESS DETAILS

Number of Units in Complex and Letting Pool

Based on the Accountant's Report and the information provided to us by the Manager, our understanding of complex configuration is as follows:

Unit Configuration	Comm	2 Bed	3 Bed	4 Bed	TOTAL	%
Short Term Letting Pool		5	2		7	8%
Permanent Let		19	6		25	28%
Owner Occupied/Externally Managed		20	34	2	56	63%
Manager's Office	1				1	1%
Total Units	1	44	42	2	89	100%

Commentary

Based on the above configuration it appears that there is an opportunity to increase the letting pool. This could be done by focusing on marketing and negotiating competitive management fees with those units currently being managed by outside agents, or in the event if owner occupier is replaced by an investor.

Multiple Ownership

It is a critical assumption of this valuation that there is and there will be no significant multiple ownership within the complex.

Leaseback Agreements

We have been advised that there are no leaseback units within the letting pool.

National Rental Affordability Scheme (NRAS)

Our assessment is based upon no NRAS units being within the letting pool now or in the future. If this proves to be incorrect, we reserve the right to review/amend our valuation report and figures herein.

Managed Investments Act (MIA)

We have assumed this business does not fall under any Managed Investment Scheme.

Computer System and Telephone

We have assumed the computer system and telephone system to be in good working order and are to industry standards.

Leased Equipment

Based upon a Going Concern 'Walk in, Walk out' basis, we have assumed any leased equipment would be taken over by the potential purchaser.

Body Corporate Records

The Management & Letting Rights business has been valued without the benefit of searches of the Body Corporate records.

Marketing Period

We believe that the assessed values are achievable within a **3** to **6** months period provided both an appropriate and well-funded marketing campaign and experienced Management & Letting Rights Agent(s) are employed.



5.4 COMPETITION

"Pearl Main Beach" complex on completion will provide mixed short term and long term accommodation and is located in Main Beach, and being adjacent to the tourism hub of Surfers Paradise. It is therefore in direct competition with a high number of short term complexes of varying standards.

A search of comparable accommodation properties located near the subject complex includes but is not limited to the following: "The Crest", "Norfolk", "Sunbird Beach Resort", "Pacific Views Resort".

Rental Comparison

Below are the recent weekly rentals for the subject complex and the nearby comparable weekly rentals (unfurnished) on for each unit type:

Туре	Subject p/w Projected	Market Rentals p/w
2 Bedroom	\$800	\$650 - \$1,000
3 Bedroom	\$900	\$870 - \$1,010

We also analysed the recent statistics provided by Residential Tenancies Authority (RTA) for the subject suburb. While we note that RTA statistics incorporate a mixture of new and old product, it is considered to provide an indication of the rental situation and dynamics over last three years.

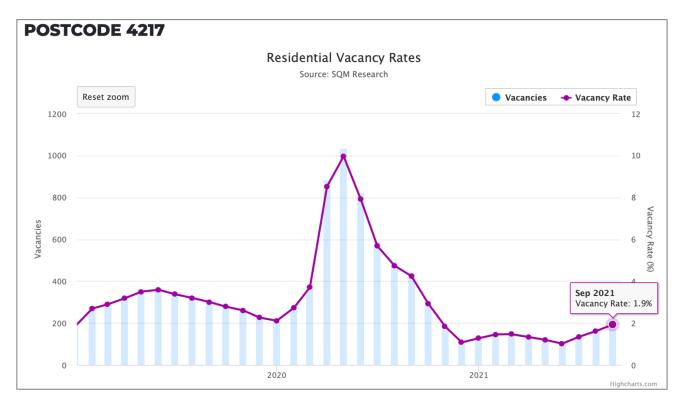
	RTA - Median Weekly Rents						
		Jun-19	Jun-20	Jun-21			
Postcode	Localities	Rent	Rent	Rent			
2 Bedroom	2 Bedroom Apartments						
	Gold Coast Central	\$440	\$440	\$500			
4217	Benowa/Bundall/Main Bch/ Sorrento/ Surfers Paradise	\$478	\$450	\$525			
3 Bedroom	3 Bedroom Apartments						
	Gold Coast Central	\$550	\$550	\$625			
4217	Benowa/Bundall/Main Bch/ Sorrento/ Surfers Paradise	\$600	\$600	\$700			

Based upon the above information the subject complex rentals are above the comparison range for RTA statistics but within the comparison range for comparable complexes in the area. Overall, we consider that the current rental levels are at market.



Vacancy Rates

We have utilised the SQM Research for August 2021 statistics. The details are as follows:



Note: The above vacancy rate does not include unit complexes recently completed or under construction.



6. NET OPERATING PROFIT

The Net Operating Profit is defined in clause 12.1(a) of the REIQ Standard Conditions of Sale are as follows:

"For the purpose of this clause Net Operating Profit shall be calculated by deducting from the gross income for the business for the relevant period the actual expenses of operating the business for that period (in particular excluding depreciation, borrowing expenses, interest on borrowings and any payment of labour related to work which would be performed by a two person resident management team)."

It is a critical assumption of this valuation that financial information as provided is true and correct. The Management & Letting Rights valuation assessment has been made with reliance upon the Financial Verification Report prepared by Paul Shannon of "Crest Accountants" dated 15 July 2021 for the 12-month period ending 30 April 2023.

We are not Accountants and therefore if an independent Accountants report verifying the net operating profit suggests something different from the numbers as stated, we reserve the right to both review and/or amend this valuation report herein. The details are as follows:

PROFIT & LOSS STATEMENT				
	Gross Income	Cost Of Sales	Adopted Amounts	% of Gross R/OE
Year Ending			Amounts	K/UE
30 April 2023 (typical year of operation)				
Gross Revenue				
Body Corporate Remuneration	\$145,200		\$145,200	46%
Commission & Management Fees	\$42,048		\$42,048	13%
Commission & Management Fees	\$72,100		\$72,100	23%
Letting/Reletting Fees	\$20,600		\$20,600	7%
Administration Income	\$2,076		\$2,076	1%
Cleaning & Linen	\$63,510	(31,974)	\$31,536	10%
Total	\$345,534	(31,974)	\$313,560	100%
Operating Expenses				
Audit & Accountancy	\$4,500		\$4,500	22%
Bank Fees	\$900		\$900	4%
Computer Support/Software	\$1,440		\$1,440	7%
Insurance	\$2,500		\$2,500	12%
Registration & Licence Fees	\$1,000		\$1,000	5%
Motor Vehicle Expenses	\$1,040		\$1,040	5%
Printing, Postage & Stationery	\$600		\$600	3%
Subscriptions	\$600		\$600	3%
Telephone & Internet	\$1,800		\$1,800	9%
Wages - Gardening/Maintenance	\$6,000		\$6,000	29%
Total	\$20,380		\$20,380	100%
PROJECTED NET OPERATING PROFIT			\$293,180	



6.1 NET OPERATING PROFIT ANALYSIS

The Net Operating Profit figures generally appear to be in line with other comparable Gold Coast based permanent let complexes. As a cross check we have compared the main cash flow streams to other complexes. Comments are as follows:

General

- "Off The Plan" business which is projected to provide both short-term and long-term letting.
- Average Holiday Nightly Rate is projected at \$200 which we consider to be reasonable.

Income

- As a percentage of Gross Revenue, the Body Corporate remuneration at 46% for the subject complex sits
 within the industry range for similar complexes (40% 60%), which is considered to be a positive factor.
 This is given the relative sustainability of this income, as compared to letting commission and ancillary
 income, which is subject to rise and fall depending on the economic conditions.
- The overall ancillary income (excluding Body Corporate Remuneration, Commission and Re-Letting Fees) is at 11% of Gross Revenue, which is within the range for the comparable established complexes (10%-15%).
- We have analysed various major (above 5% of Gross Revenue) individual revenue streams of the subject business to establish if they are within industry expectations for comparable complexes. Please refer to below table.

	Cleaning & Linen
Subject Complex (return)	50%
Percentage of Gross Revenue	10%
Industry Range (return)	40%-60%

Expenses

- The Reviewing Accountant included all typical Operating Expense items.
- Total expenses at 6% of Gross Revenue are below the range of industry expectations for comparable mixed let complexes (10%-15%). This has been considered in our adoption of the multiplier.
- We consider that the subject complex is suitable for operators with previous management & letting rights experience.
- Our inspection confirmed that the wages allocation (29% of Operating Expenses) by the Reviewing Accountant is reasonable, albeit at the lower end of the benchmarking evidence for comparable businesses.

The NOP achievable from this type of business is directly related to the number of units in the letting pool, the occupancy of those units and the amount of work undertaken by the managers to the exclusion of outside labour, if any. A change in any one of these factors will significantly affect the net operating profit achievable from the business.

In addition, we have further analysed the following components that make up the business and resultant Net Operating Profit figures.



6.2 NOP COMPARISONS AND ANALYSIS

6.2.1 Letting Pool Analysis

To consider as to whether the letting pool ratios are considered reasonable, we have from the body of Management & Letting Rights sales evidence, made the following comparisons:

Complex	Lots in the Letting Pool	Lots in Complex	Ratio
Magnoli Apartments	30	210	14%
Pearl Residencies	32	89	36%
Meriton on Main Beach	30	83	36%
Sage Apartments	65	167	39%
Boardwalk Burleigh	60	128	47%
Kirra Beach	26	51	51%
Stanhill Residences	56	62	90%

The analysed subject complex letting pool ratio is within the analysed sales and therefore acceptable.

6.2.2 Body Corporate Salary Comparisons

To consider as to whether the subject business Body Corporate Salary is reasonable, we have from the body of Management & Letting Rights sales evidence made the following comparisons:

Note: This component is fixed where the Body Corporate Salary is determined by the Caretaking/Management Agreement.

Complex	Total Lots	BCS/Lot	BCS as a % of NOP
Kirra Beach	51	\$1,539	22%
Boardwalk Burleigh	128	\$1,100	25%
Stanhill Residences	62	\$1,182	32%
Meriton on Main Beach	83	\$1,751	44%
Pearl Residencies	89	\$1,631	50%
Sage Apartments	167	\$1,053	69%
Magnoli Apartments	210	\$1,200	81%

The analysed subject complex figure as a percentage of NOP is **within** the body of evidence and therefore acceptable.

The Body Corporate remuneration per lot (total lots within the complex) for the performance of duties is within the industry range for similar complexes.



6.2.3 NOP/Unit Let Comparison (Excluding Body Corporate Salary)

When analysed to reflect a rate per unit let, i.e. the Net Operating Profit (Excluding Body Corporate Salary) divided by the number of units let, the results are as follows:

Note: This component is a made up of the variable component only and is susceptible to the rise and fall of tariffs/rents and occupancy.

Complex	Letting Type	NOP/Letting Unit
Sage Apartments	Permanent Let	\$1,193
Magnoli Apartments	Permanent Let	\$1,938
Stanhill Residences	Permanent Let	\$2,725
Pearl Residencies	Mixed	\$4,624
Meriton on Main Beach	Mixed	\$6,088
Boardwalk Burleigh	Mixed	\$7,016
Kirra Beach	Short Term	\$10,479

The subject complex analysed figure is within the range of the body of evidence and therefore acceptable.

6.2.4 NOP/Total Lots Comparison

When analysed to reflect a rate per total lots in the complex, i.e. the Net Operating Profit divided by the number of total lots, the results are as follows:

Complex	Letting Type	NOP/Total Lots
Magnoli Apartments	Permanent Let	\$1,477
Sage Apartments	Permanent Let	\$1,517
Pearl Residencies	Mixed	\$3,294
Stanhill Residences	Permanent Let	\$3,643
Meriton on Main Beach	Mixed	\$3,952
Boardwalk Burleigh	Mixed	\$4,389
Kirra Beach	Short Term	\$6,881

The above analysis demonstrates the profit which is currently derived from every lot within the complex and is reflective of the nature of the business. We note that it is normal for the letting pool to fluctuate slightly from time to time, wherein the Body Corporate remuneration is viewed as a more stable source of income.

The subject complex analysed figure is within the range of the body of evidence and therefore acceptable.

6.2.5 Net Operating Profit Comments

The Net Operating Profit for the subject business is \$293,180 and is based upon 32 units in the letting pool.

After analysing the subjects' cash flows and those attributable to other complexes, we have therefore adopted these figures for valuation purposes.



7. MANAGEMENT & LETTING RIGHTS VALUATION COMMENTARY

Major Threat of COVID-19 (Coronavirus) to Management and Letting Rights Business

The management rights market experienced a strong uptrend in buyer activity after a low point in 2013 to reach a peak in 2017. The market then plateaued over 2018 and remained steady during 2018 to early 2019. Over late 2019 the market recorded historically high multipliers for management rights businesses as sales and stock levels remained tight and the number of buyers increased. This trend was temporarily suspended between March and June 2020 due to the sudden coronavirus outbreak however recent transactions indicate the management rights market has been rather resilient with minimal effect on permanent business multipliers. Initial indications are that the strength of the permanent management rights market has continued into 2021 aided by historically low business lending rates.

It appears that the businesses netting above \$200,000 are in high demand and attract strong multipliers. Various agents call it a "seller's market". Historically high multipliers continue to be paid for high netting businesses in advantageous locations, which are viewed as scarce product. We note that Vendor price expectations remain high. Businesses netting less than \$200,000 are generally attractive to the first-time buyers. Various agents call it a "buyer's market", considering the current economic climate. Given our outlook on the current market, we would recommend caution be exercised.

Industry update

Despite the fact that the management and letting rights businesses continue to be perceived as an attractive investment, there are some issues affecting the industry. An increased number of refusals to consent to an assignment has been reported. We have observed that despite having a high number of offers to choose from, some Vendors prefer to select the most experienced operator who would be easier to train and would likely have a better chance of getting Body Corporate's approval.

QCAT Decision

Financiers have commonly lent against the value of Management & Letting Rights businesses and assumed that they will have recourse, under the Body Corporate and Community Management Act 2003 (BCCMA) — Section 126 following a default. A recent QCAT decision of a complex known as Gallery Vie, found that the Body Corporate had an entitlement to terminate the Caretaking & Letting Agreements following a default.

The Gallery Vie business settled on 15 February 2016. The Body Corporate did not exercise their entitlement to terminate the Caretaking & Letting Agreements, indicating that it was not their intention to terminate the Agreements.

We are aware ARAMA, an industry association representing Management & Letting Rights owners, industry Lawyers and Banks have banded together and are currently in the process of amending the BCCMA, to remove any uncertainty that may have arisen through the Gallery Vie decision.

Whilst financiers are still lending on Management & Letting Rights businesses, we recommend the financier satisfy themselves that recourse to both the property and the business is available in the event of a default.

Valuation Approach

The Management & Letting Rights component of the property has been assessed via the Capitalisation of Income Approach, whereby the Gross and Net Operating Profits have been established. The resultant maintainable and ongoing Net Operating Profit has then been capitalised by a multiplier factor, derived from market evidence.

Following are the relevant sales evidence followed by the valuation rationale.



7.1 MANAGEMENT & LETTING RIGHTS SALES EVIDENCE



Name	Boardwalk Burleigh	Managers Unit Price		N/A	
Address	72 The Esplanade,	M&L Rights Price		\$2,000,000	
	Burleigh Heads QLD	Total Price		\$2,000,000	
Туре	High Rise Complex	Valuation Date		April 2018	
Built	April/May 2018	Projected NOP Per Unit		\$561,783	\$9,363
Units in Letting Pool	60 (projected 47%)	BC Salary Per Lot		\$140,800	\$1,100
Total Units	128	NOP Ex BCS		\$420,983	\$7,016
Use	Mixed Letting	Multiplier		3.56	
Agreements	25.0 years remaining terms	Return On Investment		28.1%	
Regulation Module	Accommodation	Туре		Off the Plan	

'Boardwalk Burleigh' complex has frontages to The Esplanade and the Gold Coast Highway being directly opposite the Burleigh Heads beachfront and Ed Harry Park. It is situated within the tourist and residential suburb of Burleigh Heads which is centrally located on the Gold Coast.

'Boardwalk Burleigh' building will comprise a twenty (20) level building with three basement levels of car parking. The building will comprise a total of 128 units, consisting of 47 x two bedroom units, 42 x two bedroom superior units and 39 x three bedroom units with an associated car parking space each.

'Boardwalk Burleigh' building completion is scheduled for April/May 2018.

There is no designated Managers Unit. The Managers Reception and back office are situated within the main entry foyer which fronts the Gold Coast Highway.

The Accountants Verification Report provided a 3 year projection of income and expenses for a 12 months period after acquisition. Year 3 was adopted for sale purposes.

Common area building facilities include: 3 x passenger lifts, inground pool, fully equipped gymnasium, pergolas and seating, private yoga terrace, Al fresco barbeque, porte-cochere, boardwalk for access to the beach and secure basement parking.





Name	Stanhill Chevron Island	Manager's Lot Pri	ce	\$28,000	
Address	Lot 101, 266 Stanhill Drive,	M&L Rights Price		\$867,000	
	Surfers Paradise, QLD, 4217	Total Price		\$\$895,000	
Туре	Unit complex	Sale Date		January 2021	
Build Date	June 2020	NOP (Projected) /Unit Let		\$225,867	\$4,033
Units Let	56 <i>(90%)</i>	BC Salary	BC Salary /Total Lot		\$1,182
Total Lots	62	NOP Ex BCS	NOP Ex BCS /Unit Let		\$2,725
Use	Long Term Let	Multiplier		3.84 times	
Agreements	25 years to run	Return On Investment		18%	
Regulation Module	Accommodation	Business Type		Start-up/Partially established	

The "Stanhill Chevron Island" comprises a modern medium-rise complex located within the established residential suburb of Chevron Island and in proximity to the Surfers Paradise tourism hub and Benowa commercial centre. The complex is situated on the corner of Stanhill Drive and Weemala Street.

The complex is made up of 2- and 3-bedroom units, majority of which have panoramic views over the canals and surrounding residential development. The business is made up of 56 long term let units, 5 self/externally managed or owner-occupied units and a Manager's Office Lot. The current Manager has been operating the business since opening in April 2020.

The Manager's Office Lot (Lot 101) is situated on the ground level of the complex (foyer). It comprises a small but functional facility with a good exposure. The on-title area of the lot is 28 sqm (20 sqm office and 8 sqm courtyard). There are no exclusive use areas attached to this lot.

Common facilities include: Foyer incorporating on-site Manager's office/reception, swimming pool, spa, gymnasium, barbeque and recreational area, rooftop terrace with views, function room, basement car parking, ample visitor's car parking and moderate landscaping.

The business and the Manager's Office Lot were sold without agent's intervention. The Manager (APR Realty Pty Ltd) has been operating the business since April 2020.





Name	Meriton on Main Beach	Manager's Unit Price		\$718,000	
Address	1/29-39 Woodroffe Avenue,	M&L Rights P	M&L Rights Price		
	Main Beach, QLD, 4217	Total Price		\$2,395,000	
Туре	Apartment complex	Sale Date		November 2020	
Build Date	1997	NOP	/Unit Let	\$328,000	\$10,933
Units Let	30 <i>(36%)</i>	BC Salary	/Total Lot	\$145,353	\$1,751
Total Lots	83	NOP Ex BCS	/Unit Let	\$182,647	\$6,088
Use	Short term & Long term	Multiplier		5.11 times	
Agreements	20 years to run	Return On Investment		14%	
Regulation Module	Accommodation	Business Type	9	Established	

[&]quot;Meriton on Main Beach" comprises a high-rise apartment complex situated within established beachfront suburb of Main Beach.

The complex is made up of 83 apartments of 1, 2 and 3 bedroom configuration. All apartments have views to the Broadwater and ocean. The business is made up of 23 short term let units, 7 long term let units, 13 externally manages units, 39 owner occupiers and a Manager's Unit.

The Manager's Unit is of 3 bedroom 2 bathroom configuration and is situated on the ground level. The unit has a large balcony and an exclusive use car space. The office is attached and on the same title.

Common facilities include: Landscaped gardens and lawn areas, two heated swimming pools, two barbeque facilities, spa, gymnasium, sauna, tennis court, visitor's car parking, basement car parking.

Note: Reported sale. Sold based on the actual figures. The info from the trust account showed that the business had recovered well, and the trend was heading toward 90% of pre-covid numbers.





Name	Sage Apartments	Manager's Unit	Price	\$575,000	
Address	3102/31 Bourton Road,	M&L Rights Pric	ce	\$1,397,511	
	Merrimac	Total Price		\$1,972,511	
Туре	Apartment Complex	Sale Date		September	2020
Build Date	2016	NOP	/Unit Let	\$253,363	\$3,898
Units Let	65 <i>(39%)</i>	BC Salary	/Total Lot	\$175,834	\$1,053
Total Lots	167	NOP Ex BCS	/Unit Let	\$77,529	\$1,193
Use	Permanent Let	Multiplier		5.52 times	
Agreements	21 years remaining terms	Return On Inve	stment	12.8%	
Regulation Module	Accommodation	Business Type		Established	

The "Sage Apartments" complex comprises seven modern low rise apartment buildings constructed across a shared podium level used for car parking, situated within the residential suburb of Merrimac which is located within the central region of Gold Coast.

The complex comprises of 166 x two bedroom units, 1 x Managers Unit and a total of 167 residential lots.

The business is made up of 65 (39%) permanent let units in the letting pool, 12 external/outside let agents, 89 owner occupied units and 1 Managers Unit.

The Managers Unit is a four bedrooms, two bathrooms unit located to Level 1 with a living area of 163m², balconies of $25m^2$ and total floor area of $188m^2$. It presents in a good overall condition and overlooks the adjoining reserves to the east and west. An office/reception area is located towards the front of the complex and held via occupational authority.

Common facilities include: Onsite management, $2\ x$ swimming pool, barbeque areas, landscaped gardens and visitor parking.





Name	Magnoli Apartments	Manager's Unit	Price	\$1,040,000	
Address	1104/1328 Gold Coast Highway, Palm	M&L Rights Pric	е	\$1,769,000	
	Beach QLD	Total Price		\$2,809,000	
Туре	Apartment Complex	Valuation Date		July 2021	
Build Date	2020	NOP	/Unit Let	\$310,125	\$10,338
Units Let	30 (14%)	BC Salary	/Total Lot	\$252,000	\$1,178
Total Lots	210	NOP Ex BCS	/Unit Let	\$58,125	\$1,938
Use	Permanent Letting	Multiplier		5.70 times	
Agreements	25 years remaining term	Return On Inves	tment	11.0%	
Regulation Module	Accommodation	Business Type		Semi-Establish	ned

The "Magnoli Apartments" comprises a recently completed high-rise complex located within the established residential beachside suburb of Palm Beach. Palm Beach has experienced a surge in development in recent years. The subject complex is situated on the western side of the Gold Coast Highway. Surrounding development includes community park, Palm Beach State School, various service apartments and numerous dining facilities. Pacific Beach is approximately 140 metres east of the subject complex.

The development comprises 6 terrace homes and 2 high rise buildings (12 residential levels). The final stage was completed in September 2020. The complex is made up of 1, 2 and 3 bedroom units. The ground level apartments feature exclusive use outdoor spaces. The elevated apartments have panoramic ocean and hinterland views.

The business is made up of 30 permanent let units, in the letting pool, 43 self/externally managed units, 137 owner occupied units, 3 commercial lots and a Manager's Unit. The building is predominately attractive to owner occupiers and all units in the development have been sold. We have been advised that the units have been purchased by a mixture of local and interstate buyers.

The Manager's Unit (Lot 1104) comprises a 2 bedrooms, 2 bathrooms apartment situated on the ground level. Manager's Office facility is on-title and attached. The unit is complemented by a courtyard and a large exclusive use outdoor area. The unit faces the Gold Coast Highway and there is a private pedestrian gate. We note that the Manager's Unit has the same living area as other 3-bedroom units within the complex but is purposely built with bedroom 3 being converted into the Manager's Office. The lawyers have confirmed that there is no requirement for the Manager to reside on-site.

Common facilities include: Landscaped gardens and lawn areas, swimming pool, sun deck, barbeque area, function room, basement car parking, ample visitor car parking.



7.2 MANAGEMENT & LETTING RIGHTS RATIONALE

7.2.1 Multiplier Comparison

The following table is a breakdown of the sales evidence highlighting the multiplier which is calculated by dividing the Management & Letting Rights Business Sale Price by the Net Operating Profit. The table also draws comparisons with the remaining years of the Management & Letting Rights Agreements.

There is limited recent sales evidence on the Gold Coast of comparable off the plan businesses.

Complex	Units Let	% Units Let	NOP	Yrs Remain	Multiplier
Boardwalk Burleigh OTP	60	47%	\$561,783	25	3.56
Pearl Residencies OTP	32	36%	\$293,180	25	3.70
Stanhill Residences OTP	56	90%	\$225,867	25	3.84
Meriton on Main Beach	30	36%	\$328,000	20	5.11
Kirra Beach	26	51%	\$350,931	24	5.43
Sage Apartments	65	39%	\$253,363	21	5.52
Magnoli Apartments (start-up)	30	14%	\$310,125	25	5.70

Factors which are favourable for the subject property include:

- Well-presented large modern complex, located in proximity to the patrolled beach area.
- Single Body Corporate with 25 years to run on management agreements.

Factors which are not favourable for the subject property include:

- Risk of reduction in let units over time for reasons beyond Manager's control or in the event of substandard management.
- Inherent risk that projections would not be achieved.
- Impact of the COVID-19 crisis within the following 12 months and beyond.

7.2.2 Sales Evidence Analysis

Boardwalk Burleigh

Off the plan. This modern apartment complex is located in a comparable suburb of Burleigh Heads. The business is similar to the subject providing short term and long term lettings. The Scheme is under the "Accommodation" regulation module. The multiplier (YPF) of **3.56** times demonstrated by this sale is considered to be **less than** that which should be applied to the subject property, principally due to inferior percentage of Body Corporate remuneration. This is a dated sale and the market has improved since.

Stanhill Residencies

Off the plan. This modern apartment complex is located in a comparable suburb of Chevron Island, Surfers Paradise. The business provides long term lettings only. The Scheme is under the "Accommodation" regulation module. The multiplier (YPF) of **3.84** times demonstrated by this sale is considered to be **in excess of** that which should be applied to the subject property, principally due to higher NOP per lot and the fact that all letting income is generated by long-term letting (as opposed to short term). The complex is considered to be attractive to investors.



Meriton on Main Beach

This older-style high rise unit complex is located in Main Beach. The Scheme is under the "Accommodation" regulation module. The business is similar to the subject providing predominately short term accommodation. The business was sold based on actual figures, affected by COVID-19 lockdowns. The multiplier (YPF) of **5.11** times demonstrated by this sale is considered to be **in excess of** that which should be applied to the subject property, principally due to established nature of the business.

Kirra Beach

This semi-modern medium-rise complex is located in a comparable suburb of Coolangatta. The Scheme is under the "Accommodation" regulation module. The business is similar to the subject providing predominately short term accommodation. The multiplier (YPF) of **5.43** times demonstrated by this sale is considered to be **in excess of** that which should be applied to the subject property, principally due to established nature of the business.

Sage Apartments

This modern unit complex is located in a comparable suburb of Merrimac. The business provides only permanent rentals. The Scheme is under the "Accommodation" regulation module. The multiplier (YPF) of **5.52** times demonstrated by this sale is considered to be **in excess of** that which should be applied to the subject property, principally due to superior percentage of Body Corporate remuneration (which is considered to be more sustainable form of income as compared to letting) and established nature of the business.

Magnoli Apartments

Semi-Established. This modern unit complex is located in a comparable suburb of Palm Beach. The business provides only permanent rentals. The Scheme is under the "Accommodation" regulation module. The multiplier (YPF) of **5.70** times demonstrated by this sale is considered to be **in excess of** that which should be applied to the subject property, principally due to superior percentage of Body Corporate remuneration (which is considered to be more sustainable form of income as compared to letting) and established nature of the business.



7.2.3 Assessment

As a primary method, we have used the Income Capitalisation Approach. Based upon the sales evidence, we believe that the Net Operating Profit of \$293,180 has an achievable and applicable multiplier range of between 3.50 and 4.00. We have then adopted a mid-range multiplier of 3.70.

The workings are as follows:

	Net Operating Profit	Multiplier Range	Value Range
		3.50	\$1,026,130
Subject Property	\$293,180	to	\$1,020,130
	. ,	4.00	\$1,172,720
Adopt (Rounded)		3.70	\$1,080,000

For practical valuation purposes, we have adopted the figure of \$1,080,000 as the current market value in this instance.

7.2.4 Management & Letting Rights Value/Unit let Comparison

As a secondary method, we have analysed the adopted figure to reflect a Management & Letting Rights Value/Unit let, (i.e. the purchase price of the Management & Letting Rights divided by the number of units in the letting pool). The results are as follows:

Complex	Units Let	Ratio	NOP (Ex Bc)/Units Let	MLR Value/Units Let
Stanhill Residences	56	90%	\$2,725	\$15,482
Sage Apartments	65	39%	\$1,193	\$21,500
Boardwalk Burleigh	60	47%	\$7,016	\$33,333
Pearl Residencies	32	36%	\$4,624	\$33,750
Meriton on Main Beach	30	36%	\$6,088	\$55,900
Magnoli Apartments	30	14%	\$1,938	\$58,967
Kirra Beach	26	51%	\$10,479	\$73,269

The subject complex analysed figure is within the range of the analysed sales and therefore acceptable.



7.2.5 Management & Letting Rights Value/Total Lots Comparison

We have analysed the adopted figure to reflect a Management & Letting Rights Value/Total Lots (i.e. the purchase price of the Management & Letting Rights divided by the number of lots in the complex). The results are as follows:

Complex	Total Lots	NOP	MLR Value/Total Lots
Sage Apartments	167	\$253,363	\$8,368
Magnoli Apartments	210	\$310,125	\$8,424
Pearl Residencies	89	\$293,180	\$12,135
Stanhill Residences	62	\$225,867	\$13,984
Boardwalk Burleigh	128	\$561,783	\$15,625
Meriton on Main Beach	83	\$328,000	\$20,205
Kirra Beach	51	\$350,931	\$37,353

The subject complex analysed figure is within the range of the analysed sales and therefore acceptable.

This analysis confirm that the subject property is not overpriced compared to the sales evidence.

7.2.6 Return on Investment (ROI) Comparison

The sales evidence provides returns on investment, (i.e. the net operating profit divided by the total value of the Management & Letting Rights and Manager's Unit/Lot). The comparisons are as follows:

Complex	ROI
Magnoli Apartments	11%
Kirra Beach	13%
Meriton on Main Beach	13%
Sage Apartments	13%
Pearl Residencies	25%
Stanhill Residences	25%
Boardwalk Burleigh	28%

The subject complex analysed figure is **within** the range of the analysed sales and therefore acceptable.



7.3 MANAGEMENT & LETTING RIGHTS SALES ANALYSIS COMPARISON

Complex	NOP	Units Let	Yrs Remain	Multiplier
Boardwalk Burleigh	\$561,783	60	25	3.56
Pearl Residencies	\$293,180	32	25	3.70
Stanhill Residences	\$225,867	56	25	3.84
Meriton on Main Beach	\$328,000	30	20	5.11
Kirra Beach	\$350,931	26	24	5.43
Sage Apartments	\$253,363	65	21	5.52
Magnoli Apartments	\$310,125	30	25	5.70

As a final analysis, the adopted multiplier of **3.70** for the subject complex business is within the body of sales evidence and therefore acceptable.

7.4 ALTERNATE VALUES MATRIX

Following is a table reflective of the possible variances of the assessed value, depending upon the **actual number of units being included in the letting pool**. Once the number is confirmed, the adopted value of the business corresponds to that confirmed number.

The Reviewing Accountant has projected a total of 32 units in the letting pool. We have not been provided with any pre-sale information.

Note: Should the actual letting pool be lower than the projected letting pool of 32 units, the lower assessed value as below should be adopted.

		Alt Price	
	NOP	(not rounded)	Multiplier
0	\$145,200	\$532,474	3.67
1	\$149,824	\$549,584	3.67
2	\$154,449	\$566,694	3.67
3	\$159,073	\$583,805	3.67
4	\$163,698	\$600,915	3.67
5	\$168,322	\$618,025	3.67
6	\$172,946	\$635,135	3.67
7	\$177,571	\$652,245	3.67
8	\$182,195	\$669,356	3.67
9	\$186,819	\$686,466	3.67
10	\$191,444	\$703,576	3.68
11	\$196,068	\$720,686	3.68
12	\$200,693	\$737,796	3.68
13	\$205,317	\$754,906	3.68
14	\$209,941	\$772,017	3.68
15	\$214,566	\$789,127	3.68
16	\$219,190	\$806,237	3.68
17	\$223,814	\$823,347	3.68
18	\$228,439	\$840,457	3.68



19	\$233,063	\$857,568	3.68
20	\$237,688	\$874,678	3.68
21	\$242,312	\$891,788	3.68
22	\$246,936	\$908,898	3.68
23	\$251,561	\$926,008	3.68
24	\$256,185	\$943,119	3.68
25	\$260,809	\$960,229	3.68
26	\$265,434	\$977,339	3.68
27	\$270,058	\$994,449	3.68
28	\$274,683	\$1,011,559	3.68
29	\$279,307	\$1,028,669	3.68
30	\$283,931	\$1,045,780	3.68
31	\$288,556	\$1,062,890	3.68
32	\$293,180	\$1,080,000	3.68



8. **VALUATION**

Subject to the overriding stipulations and assumptions contained within this report, we are of the opinion that the Market Values of the Manager's Office (Lot 1) and Manager's Unit (Lot 801) and the Management & Letting Rights business for the subject complex, situated at "The Gallery Residences", 28-30 Second Avenue, Broadbeach, QLD, 4218 as at 17 September 2021 are:

> Manager's Office (Lot 1): \$80,000 (Eighty Thousand Dollars) Management & Letting Rights: \$1,080,000 (One Million and Eighty Thousand Dollars) Total: 1,160,000 (One Million One Hundred and Sixty Thousand Dollars)

The above assessments of value are net of GST that may be calculated on the sale of the property and business.

ASSUMPTIONS, CONDITIONS AND LIMITATIONS

This valuation is prepared solely for the use for its own purposes of the party to whom it is addressed. We do not contemplate or accept any responsibility for the whole or any part of the contents of this valuation to any other party using the same or to whom the same is communicated without written consent from this Company.

Neither the whole nor any part of this valuation report or any reference thereto, may be included in any published documents, circular or statement, nor published in part nor in full in any way without written approval of the form and context in which it may appear. This report is not to be used for Mortgage Security nor will it be assigned for Mortgage Security. Furthermore, no responsibility is accepted for any third party which may use or rely upon the whole or any part of the contents of this report.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

We have carried out an inspection of the exposed and readily accessible areas of the improvements. However, the Valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness of the improvements. Readers of this report should make their own

This valuation has been prepared on instruction from "Raptis Group Limited" and "Hall Chadwick Corporate (Vic) Pty Ltd" for Financial Reporting purposes. The report is not to be relied upon by any other person or for any other purpose. We accept no liability to third parties nor do we contemplate that this report will be relied upon by third parties. We invite other parties who may come into possession of this report to seek our written consent prior to them relying on this report. We reserve our right to withhold consent or to review the contents of this report in the event that our consent is sought.

Ekaterina Ivandikova AAPI CPV Per:

QLD Registered Valuer No. 3929MR Director Valuer

Note: The counter signatory (Director) verifies that this report is genuine and endorsed by Australian Valuers. The opinion of value expressed in this report has been arrived at by the prime signatory alone.

Per:

C. A Suntt

Our Reference: 41139

Craig Smith



9. ENCLOSURES

- LETTER OF INSTRUCTIONS
- ACCOUNTANTS REPORT



STRICTLY CONFIDENTIAL

15 September 2021

Ms Ekaterina Ivandikova Australian Valuers PO Box 6033 Marochydore QLD 4558 Email: ekaterina@australianvaluers.com.au

Dear Ms Ivandikova

Re: Independent Expert Report
Raptis Group of Entities (Raptis)

We have been engaged by Raptis to provide an independent expert report (**IER**) in respect of the following proposed transactions with Associated Entities as defined in the the Corporations Act 2001 (Cth) (**Corporations Act**) which requires consent of the Non Associate Shareholders to proceed:

 Raptis' acquistion of management rights from an Associated Entity in relation to Gallery Residences at Broadbeach and Pearl Residences at Main Beach (the Management Assets)

(referred to as the **Proposed Transactions**)

We seek to engage you to prepare a valuation of the Management Assets for the following developments:

- Gallery Residences at 28 to 30 2nd Avenue Broadbeach QLD
- Pearl Residences at 3550 Main Beach Parade Main Beach QLD
- Lot 801 Survey Plan 313520 Gold Coast

1. Purpose and Scope

The purpose of the valuations is to provide an opinion as to the value of the management rights so that Hall Chadwick Cpororate may form an opinion as to wether the proposed transaction is fair and reasponable for the Non Associated Shareholders of Raptis and to assist in providing those shareholders with all the information that they may reasonably require for them to make a decision to vote in favour or not of the Proposed Transactions.

Your report will be appended to our IER to be circulated with the Notice of Meeting and Explanatory Memorandum to Raptis' Shareholders and to be lodged with ASIC and the ASX.





Please ensure that your report:

- Provides a list of any documents relied on in preparing the report
- Clearly states the conclusions and set out the methodology applied in reaching conclusions
- Include a copy of your CV
- State that you have complied with any relevant professional codes of protocol and identify those codes of conduct or protocol
- State that you are independent and impartial

Your report should also be prepared in compliance with the International Valuation Standards prescribed by the International Valuation Standards Council requirements and Regulatory Guide 112 Independence of Experts (**RG112**).

In particular, we ask that you provide a draft copy of your report to us **directly** for factual confirmation prior to releasing the final report. The draft report should not contain your analysis, methodologies employed or opinion. Please refer to attached RG112 (page 17, RG112.54 to RG112.58).

2. Documents

We ask that you liaise directly with Raptis in respect of any documents or information that you require to complete your report. Please ensure that we are copied in all written correspondence between Australian Valuers and Raptis.

3. Fees

Raptis will be responsible for your fees and disbursements directly.

If you would like to discuss any of the above, please do not hesitate to contact me on 9820 6400.

Your faithfully

Mark Bailey Director

HALL CHADWICK CORPORATE (VIC) PTY LTD



15 July 2021

The Directors
Raptis Group
Level 3
25 Elkhorn Avenue
Surfers Paradise

Dear Directors

Verification Report Pearl Residences Management Rights

We submit herewith our report on the verification of the net operating profit of Pearl Residences Management Rights.

Purpose of Report

This report has been prepared specifically for the abovenamed to assist with the valuation of the Management Rights at Pearl Residences.

Verification of Profit Statement

We have prepared a projected cash flows for the year ending 30 April 2023 which results in a profit of \$277,452 and estimate that the profit for a normal ongoing year will be approximately \$293,180.

Scope of Examination

1. Records

As the complex is presently being constructed there is some historical data on letting trends and weekly rentals based on what will be rented by the end of April 2023. We have therefore prepared the cash flow on the basis of information provided by the developer, our assessment of general industry charges and standards is based on our extensive experience and data base of clients in the industry.

2. Management Agreement

We were not provided with a copy of the Management Agreement, but are advised it will be a standard "do all" agreement wherein the Managers are responsible to perform all functions such as cleaning and maintenance of the common areas etc. It is expected that the management agreement will be regulated under the 'Accommodation' Module regulations.

3. Definition

For the purpose of this report we have relied on the usual definition of net operating profit as defined in the REIQ contract of sale conditions which states that the net operating profit "shall be calculated by deducting from the gross income of the business for the relevant period the actual expenses of operating the business for that period (excluding depreciation, borrowing expenses, interest on borrowing and any payments for labour related to work which could normally be performed by a two person resident management team)".

The calculation of net operating profit is made on the basis of excluding any payments to or allowance for work which the typical two person Management team could reasonably undertake.

This approach in calculating net operating profit is in our view the generally accepted approach within the Management Rights industry.

4. General Building Details

Location:

Aloha Land

MAIN BEACH QLD 4217

Units:

88 (44 two bedroom units, 42 three bedroom units, 2 four bedroom

unit)

Letting Pool:

25 Permanent once fully established (19 two bedrooms, 6 three

bedrooms)

8 Holiday once fully established (6 two bedrooms, 2 three bedrooms)

The major sources of income of the Management Rights will be as follows:-

- Body Corporate Salary
- Letting Commissions
- Cleaning and Linen

5. Complex & Letting Pool

The developer advised that construction on the complex is expected to be completed by April 2022. The complex will consist of 44 two bedroom units, 42 three bedroom units and 2 four bedroom units. It is assumed that the complex will be operated by a two person management team who will be the owners of the Management Rights. It is anticipated that there will be 33 units in the complex owned by investors.

These units are generously sized ones close to Tedder Avenue restaurants and shops, Main Beach, MacIntosh Island, Hollindale Park, Main Beach Surf Club, a short drive to The Broadwater, Marina Mirage Surfers Paradise, Southport CBD and the Spit with the Main Beach Light Rail station as an option for transport. There is a gymnasium, a rooftop area with a pool, exclusive dining area with wine cellar. There will be an office only in the complex.

6. Managers' Duties

The manager is expected to attend to the letting and servicing of the units and undertaking the duties specified in the Agreement with the Body Corporate. It is assumed that the manager will attend to all duties associated with conducting the business and may use the services of contract cleaners, contract maintenance and gardeners when required.

The duties required in operating a Management Rights of this size include such items as cleaning of the common areas, maintenance of the gardens, grounds, general reception and administrative duties.

7. Goods and Services Tax (GST)

All income and expenses shown in the cash flow are net of GST. The services provided within the Management Rights business are treated as 'taxable supply' for GST purposes and as such GST is required

to be levied on them. Generally, the managers are also entitled to a credit for any GST paid on supplies associated with operating the business. The managers are required to charge GST on all services provided to the owners and the tenants including Body Corporate Salary, Commission, and Postage & Petties.

Analysis of Trading Results

The developer advises that in Pearl Residences there will be 33 units in the letting pool once fully established. For the purposes of the projected cash flow we have assumed that in the first year it will take four months to fill the letting pool once all stages are completed and there will be 25 permanent units and 8 holiday units in the letting pool ready to be rented by May 2022. We have used the following average weekly rental based on the rents being asked:

Type of Apartments	Market Rent
2 Bedroom units	\$800.00 per week
3 Bedroom units	\$900.00 per week
Holiday Average Rate	\$200.00 per night

It is assumed that during the stages the permanent apartments will be fully rented over the first 4 months of the operations and will be occupied for 50 of 52 weeks or 2 weeks vacancy at a rate of 96%. We have based our holiday rates on an average of buildings in the area and have used an occupancy rate of 60% for the year at an average daily rate of \$200.00.

We have prepared projected cash flows for the first year of operation dissected monthly and for a normal ongoing year. The cash flow we have prepared results in a net profit of \$277,452 for the first twelve months of operation and for a normal ongoing year the net profit is \$293,180.

While there are other activities such as maintenance and PABX which may generate income for the managers, the net operating profit of \$293,180 is approaching the maximum level of income the managers will be able to generate from the complex.

The net profit achievable from this type of business is directly related to the number of units in the letting pool, occupancy levels, the amount of rent received from the units and the amount of advertising required filling vacant units. A change in any one of these will significantly affect the net profit achievable from the business. Other income may be derived from such sources as maintenance work depending upon the skills of the managers.

Specific Items

1. Body Corporate Management Salary

The Body Corporate Management Salary as specified in the Management and Letting Agreement for the Residential Scheme is to be paid monthly in arrears and is to be set at \$1,650.00 per annum for each unit. This will result in an annual salary of \$145,200 plus GST. The Management and Letting Agreements state that the salary is to increase annually by CPI. We have not made any allowance for CPI in our normal ongoing year calculation.

2. Letting Commissions and Letting Fees

The projected cash flow has been prepared on the basis of 25 permanent units in the letting pool all being let on a permanent basis with commission rates of 7% plus GST together with a letting fee equal

to the first week's rental plus GST and a relet of \$200.00 plus GST for tenants who renew their lease. Each unit has been treated as being let at least once during the year with a projection of 1 letting fee per annum.

The holiday units have been based on an average daily rate of \$200.00 per night at an occupancy or 60% with gross accommodation income of \$350,400 for the year. The commission rate is 12% plus GST.

3. Cleaning and Linen Hire

The complex will consist of a number of 2 and 3 bedroom units. The cleaning charge is \$65.00 plus GST for the 2 bedroom units and \$85.00 plus GST for the 3 bedroom units. The departure cleans and linen is based on an average of 4 night stays. We have assumed the cleaners will be contractors and have assumed a profit margin on cleaning will be 40%.

The charge for linen is \$14.00 plus GST per person. It is assumed the profit margin will be 60% on linen hire and that the linen will be outsourced by a provider.

4. Statement Fees

It is expected that a monthly fee of \$5.00 plus GST for permanent units and \$6.00 plus GST for holiday units will be charged for the office costs such as postage, stationery, telephone calls etc.

5. Expenses

We have included in this category estimates of those expenses which are directly applicable to the operations of the business and normally included in this type of analysis. Expenses included for verification purposes are those expenses which are directly applicable to the operations of the business and other elective or personal expenses of the manager are disregarded. We have shown a cost of a contractor to help with the cleaning and other duties as expected by the duties in the Body Corporate contract of \$500.00 per month or \$6,000 per year.

We have not included the following expenses as is normal accounting practice for the Management Rights industry:-

- Interest on borrowed funds
- Borrowing expenses
- Depreciation
- Wages for two person resident Management team.
- Leasing or finance on any equipment
- Holding costs of Managers residence
- Motor Vehicle (Nominal running costs have been included)
- Income Tax

If you have any queries in relation to this please contact me.

Yours sincerely

Paul Shannon

Partner

Crest Accountants

E-mail: ps@crestaccountants.com.au

Enclosed: Cash Flows for the Period after completion

Estimated Profit and Loss Statements

4 Miami Key BROADBEACH QLD 4218 07 55380999 Crest Accountants Pty Ltd

LETTING POOL: 25 PERMANENT 8 HOLIDAY

PROJECTED CASH FLOW FOR PEARL RESIDENCES FOR YEAR ENDING 30 APRIL 2023

														NORMAL
	May	June	July	August	September	October	November December	December	January	February	March	April	TOTAL	YEAR
INCOME														
Management Fee	12,100	12,100	12,100	12,100	12,100	12,100	12,100	12,100	12,100	12,100	12,100	12,100	145,200	145,200
Letting Commission - Holiday	1,682	631	841	1,051	3,364	3,364	3,364	4,625	4,625	4,205	5,466	4,625	37,843	42,048
Letting Commission - Permanent	1,691	3,383	4,812	6,007	6,007	6,007	6,007	6,007	6,007	6,007	6,007	6,007	63,952	72,100
Letting Fee	2,800	5,800	4,900	4,100	0	0	0	0	0	0	0	0	20,600	20,600
Holiday Cleaning	1,314	493	657	821	2,628	2,628	2,628	3,614	3,614	3,285	4,271	3,614	29,565	32,850
Holiday Linen	1,226	460	613	767	2,453	2,453	2,453	3,373	3,373	3,066	3,986	3,373	27,594	30,660
Administration Fee	47	94	136	173	173	173	173	173	173	173	173	173	1,834	2,076
	23,861	22,960	24,059	25,019	26,725	26,725	26,725	29,892	29,892	28,836	32,003	29,892	326,588	345,534
OUTGOINGS														
Audit & Accounting Fees	0	0	200	0	0	200	0	0	200	0	0	3,000	4,500	4,500
Bank Charges	75	75	75	75	75	75	75	75	75	75	75	75	006	006
Computer Expenses	120	120	120	120	120	120	120	120	120	120	120	120	1,440	1,440
Contractor - Body Corporate Cleaning	200	200	200	200	200	200	200	200	200	200	200	200	6,000	6,000
Contractor - Cleaning Units	788	296	394	493	1,577	1,577	1,577	2,168	2,168	1,971	2,562	2,168	17,739	19,710
Insurance	2,500	0	0	0	0	0	0	0	0	0	0	0	2,500	2,500
Licence	1,000	0	0	0	0	0	0	0	0	0	0	0	1,000	1,000
Linen	491	184	245	307	981	981	981	1,349	1,349	1,226	1,594	1,349	11,038	12,264
Motor Vehicle Expenses	82	82	82	82	82	82	85	85	85	85	82	85	1,020	1,040
Printing & Stationery	20	20	20	20	20	20	20	22	20	20	22	20	9	009
Subscription	009	0	0	0	0	0	0	0	0	0	0	0	900	009
Telephone & Internet	150	150	150	150	150	150	150	150	150	150	150	150	1,800	1,800
Total Outgoings	6,359	1,460	2,119	1,779	3,538	4,038	3,538	4,497	4,997	4,177	5,137	7,497	49,137	52,354
Surplus	17,502	21,501	21,939	23,240	23,187	22,687	23,187	25,395	24,895	24,659	26,866	22,395	277,452	293,180
CUMULATIVE SURPLUS	17,502	39,002	60,942	84,182	107,369	130,056	153,243	178,638	203,532	228,191	255,057	277,452		

WEEKLY RENTAL MARKET VALUE	성
2 Bedroom	800
3 Bedroom	900
Average Holiday Nightly Rate	200

PEARL RESIDENCES MANAGEMENT RIGHTS ESTIMATED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDING 30 APRIL 2023

	Note	Income <u>\$</u>
Income		
Body Corporate Management Fee	1	145,200
Letting Commissions - Holiday	2	37,843
Letting Commissions - Permanants	2	63,952
Letting Fees	2	20,600
Holiday Cleaning	3	29,565
Holiday Linen	3	27,594
Administration Fees	4	<u>1,834</u>
		326,588
Expenses		
Accounting & Audit Fees		4,500
Bank Charges		900
Computer		1,440
Contractor - Body Corporate Cleaning		6,000
Contractor - Cleaning Units		17,739
Insurance		2,500
Licence Fees		1,000
Linen		11,038
Motor Vehicle Expenses		1,020
Postage, Printing and Stationery		600
Subscriptions		600
Telephone		<u>1,800</u>
		<u>49,137</u>
NET OPERATING PROFIT		277,452

To be read with attached notes and disclaimer Crest Accountants

PEARL RESIDENCES MANAGEMENT RIGHTS ESTIMATED PROFIT AND LOSS STATEMENT NORMAL ONGOING YEAR FOR THE YEAR ENDING 30 APRIL 2023

	Note	Income \$
Income		
Body Corporate Management Fee	1	145,200
Letting Commissions - Holiday	2	42,048
Letting Commissions - Permanants	2	72,100
Letting Fees	2	20,600
Holiday Cleaning	3	32,850
Holiday Linen	3	30,660
Adminstration Fees	4	<u>2,076</u>
		345,534
Expenses		
Accounting & Audit Fees		4,500
Bank Charges		900
Computer		1,440
Contractor - Body Corporate Cleaning		6,000
Contractor - Cleaning Units		19,710
Insurance		2,500
Licence Fees		1,000
Linen		12,264
Motor Vehicle Expenses		1,040
Postage, Printing and Stationery		600
Subscriptions		600
Telephone		<u>1,800</u>
		<u>52,354</u>
NET OPERATING PROFIT		293,180

To be read with attached notes and disclaimer Crest Accountants



APPENDIX E - DECLARATIONS & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to RPG with reference to ASIC Regulatory Guide 112 (RG 112) titled "Independence of Expert's Reports". HCC considers that it meets the requirements of RG 112 and that it is independent of RPG.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with WCA, its related parties or associates that would compromise our impartiality.

Mr Mark Bailey, Authorised Representative 001278596, an Associate Director of Hall Chadwick Corporate (Vic) Pty Limited, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (Vic) Pty Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (Vic) Pty Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of RPG for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of RPG have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by RPG as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated. We believe the information relied upon provides reasonable grounds upon which to base this report.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix A of this report.

RPG has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by RPG to HCC in preparation of this report.



Qualifications

Hall Chadwick Corporate (Vic) Pty Limited ("**HCC**") carries on business at Level 14, 440 Collins Street, Melbourne VIC 3000. HCC holds a Proper Authority numbered 1268759, authorised by Hall Chadwick Corporate Finance (NSW) Limited, Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC is therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of RPG. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to RPG shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the proposed Transaction is fair and reasonable to Non-Associated shareholders of RPG.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to RPG's shareholders. Shareholders should read all documents issued by RPG that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these additional documents.

This report has been prepared specifically for the Non-Associated shareholders of RPG. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Non-Associated shareholder of RPG, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short period of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for RPG to update this report for information that may become available subsequent to this date.

We have made all enquiries that we believe is desirable and appropriate. Our report has not omitted any matter that we regard as material to the shareholders of RPG.



APPENDIX F - FINANCIAL SERVICES GUIDE

This Financial Services Guide ("FSG") provides important information to assist you in deciding whether to use our service. This FSG includes details of how we are remunerated and deal with complaints.

The Corporations Act 2001 requires HCC to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a Notice of Meeting ("Notice") provided to members by the company or other entity for which HCC prepares the Report.

What Financial Services can we offer?

Hall Chadwick Corporate (Vic) Pty Limited ("HCC") carries on business at Level 14, 440 Collins Street, Melbourne VIC 3000. HCC holds a Proper Authority numbered 1268759, authorised by Hall Chadwick Corporate Finance (NSW) Limited, Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients.

The person who provides the advice is an Authorised Representative of HCC. HCC has authorised Mark Bailey, Authorised Representative 001278596 to distribute the Financial Services Guide ("FSG") HCC is qualified to provide this report.

HCC does not accept instructions from retail clients. HCC provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. HCC does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

HCC is authorised to provide general financial product advice to retail clients for interests in managed investment schemes including investor direct portfolio services and securities.

How are we remunerated?

When providing Reports, HCC's client is the Entity to which it provides the Report. HCC receives its remuneration from the Entity. In respect of the Report for RPG in relation to the Proposed Transactions, HCC will receive a fee for its services estimated to be \$25,000, excluding GST.

No related body corporate of HCC, or any of the directors or employees of HCC or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of this report.

Independence

HCC is required to be independent of RPG in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission. The following information in relation to the independence of HCC is stated in Appendix E of this report.



Our General Financial Product Advice

HCC will not respond in any way that might involve any provision of financial product advice to any retail investor. The advice contained in this report contains only general advice. It does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in respect of the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

What should you do if you have a complaint?

HCC has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, membership number 11442.

If you have a complaint, in the first instance you should contact Hall Chadwick Corporate (NSW) Limited's Compliance Manager on (02) 9263 2600.

If the complaint is not resolved to your satisfaction within 45 days, you have the right to refer the matter to the Financial Ombudsman ("FOS"), an independent external dispute resolution scheme of which Hall Chadwick Corporate (NSW) Limited is a member. FOS's services are available to you free of charge.

Financial Ombudsman Service GPO Box 3 Melbourne Vic 3001 Phone: 1800 931 678

info@fos.org.au

HCC is only responsible for the Report and this FSG. Complaints or questions about the Notice of Meeting should not be directed to HCC who is not responsible for that document.