

5 May 2020

AUSTRALIAN SECURITIES EXCHANGE

Attention Company Announcements

Raptis Group Limited (ASX code RPG)

Level 16
1 Market Street
Sydney NSW
2000



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

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 a motion to secure a beneficial interest in the “Waterpoint Residences” management rights business near Harbour Town on the northern Gold Coast.

The business is currently beneficially held by Mr James Raptis family privately.

The Independent Experts report prepared by Grant Thornton Finance Pty Ltd has concluded that the transaction is Fair and Reasonable, for non-associated shareholders.

The meeting resolution proposes a payment of \$6,010,000 for the exclusive beneficial interest in the income and capital of the management rights. Payment for the interest is \$1.8 million in cash and the balance a loan from an entity associated with James Raptis.

The management business is regarded as having a lower risk profile. The business has the capacity to provide a stable cash flow during the term of the agreements.

For all media enquiries contact Bruce Nelson on 0423403449



RAPTIS GROUP LIMITED

ACN 010 472 858

Notice of General Meeting

2 June 2020 2.30 pm
Level 3, 25 Elkhorn Avenue
Surfers Paradise 4217

ORDINARY BUSINESS

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

Resolution

That for the purposes of ASX Listing Rule 10.1 and for all other purposes the arrangements to receive a beneficial interest in the Waterpoint Management Rights be approved including:

1. Agreement to pay a total of \$6,010,000 for exclusive beneficial interest in the “Management Rights” income and capital,
2. Payment to comprise \$1.8 million in cash and borrowing of the balance of funds required for a period of five years at 5% per annum.

The Independent Expert, Grant Thornton Corporate Finance Pty Ltd, has concluded that the acquisition of the management rights to the Waterpoint Management Business is Fair and Reasonable to the shareholders who are not associated with Mr James Raptis and Mrs Helen Raptis/Raptis Private Family interests.

Please refer to the attached Independent Expert Report, explanatory statement and proxy form for further details of the business of the meeting. If COVID-19 meeting restrictions are not be lifted by 2 June 2020 to allow attendance please vote via proxy. Contact Malcolm Cory on 07 56280474 with any questions.

By order of the Board
Dated 30 April 2020

Malcolm Cory
Company Secretary



RAPTIS GROUP LIMITED

ACN 010 472 858

PROXY FORM FOR 2 JUNE 2020 GENERAL MEETING

HOLDER NAME – LINE 1
ADDRESS LINE 2
ADDRESS LINE 3
ADDRESS LINE 4
ADDRESS LINE 5
ADDRESS LINE 6

NUMBER

HIN/SRN

I/We being a member of Raptis Group Ltd and entitled to attend and vote hereby appoint

A. The Chairman of the Meeting (Mark Box)

☐

or

If you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held on 2 June 2020 at 2.30pm and at any adjournment of that Meeting. Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the Company.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy (except where I/we have indicated a different voting intention below) even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chairman.

The Chairman of the Meeting intends to vote undirected proxies in favour of all Resolution.

B. To direct your proxy how to vote on any resolution please insert X in the appropriate box below.

RESOLUTION

For Against Abstain*

That the arrangements to receive a beneficial interest in the Waterpoint Management Rights be approved

☐☐☐

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

C. SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Security holder 1
(Individual)

Sole Director and
Sole Company Secretary

Joint Security holder 2
(Individual)

Director/ Company Secretary
(delete one)

Joint Security holder 3
(Individual)

Director

SEE OVERLEAF FOR NOTES ON HOW TO COMPLETE THIS FORM

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 31 May 2020 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
PO Box H195
Australia Square NSW 1215
Facsimile: 02 9251 1275
mail@nextregistries.com.au

Explanatory Statement

This Explanatory Statement together with the Independent Experts Report are intended to provide Shareholders with sufficient information to assess the merits of the Resolution contained in the accompanying Notice of General Meeting (“Notice”) of the Company.

APPROVAL OF MANAGEMENT RIGHTS RELATED PARTY DEALINGS

It is proposed that Raptis Group Limited pay Raptis Private Family interests for the rights to income and capital of the “Waterpoint Management Business”. The amount of the payment is to be Six Million and Ten Thousand dollars. (\$6,010,000) It is to be paid \$1.8 million on completing of the exchange of documentation 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 Waterpoint Management Business in exchange for the payment of (\$6,010,000). This payment is to be made \$1.8 million on exchange and the balance in the form of a finance facility from Raptis Private Family interests. 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 \$200,000 per year. The loan may be repaid at any time without penalty. There is no provision for 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 experts report has been prepared by Grant Thornton Corporate Finance 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 of 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 BUSINESS WATERPOINT

This Resolution seeks shareholder approval for the payment of Six Million and Ten Thousand Dollars to an associate of Mr James and Mrs Helen Raptis in consideration for the rights to all income and capital of the Waterpoint 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. Raptis Private Family Interests have provided the business, vendor finance to acquire the business are in negotiations with a potential buyer, are providing the management business including vendor finance. If a contract proceeds to settle in the next 15 months after 2 June 2020, the arrangements provide for Raptis Group Limited interests to retain 25% of the profit on sale after all transaction costs. An Independent Experts Report prepared by Grant Thornton Corporate Finance Pty Ltd accompanies this notice. This opinion found the transaction both Fair and Reasonable. The transaction timetable is to complete within 30 days of the approval of members at the General Meeting.

Waterpoint Management Rights business comprises the letting and caretaking agreements and two strata title offices. These entitle the holder to conduct an exclusive real estate letting office on the site of the five residential medium rise towers at 5 Harbourside Court Biggera Waters adjacent to Harbour Town on the Gold Coast. The caretaking agreement with the relevant body corporates provides 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 fifth Tower includes units that are selling down and it is not clear yet how many will form part of the letting pool yet. There is a mechanism following the guidance of the valuation report to allow the next four six monthly adjustments two at 30 June and two intervals at 31 July. The site includes five existing buildings and the infrastructure to connect in the sixth tower in accordance with the Development Approval. The agreement allows for an adjustment in consideration on completion of the sixth tower at independent valuation.

This business assets have been subject to a peer review assessment of \$6,010,000 on 31 March 2020 after taking into consideration the uncertainty associated with COVID-19 and by industry specialist independent valuers “Australian Valuers” at a value of \$7,150,000 as at 15 January 2020.

- ❖ 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 shareholder approval to be obtained where an entity acquires a substantial asset from a related party unless an exception in Listing Rule 10.12 applies, such as obtaining non-associated shareholder approval.

FINANCIAL POSITION OF RAPTIS GROUP LIMITED

Raptis Group Limited at 31 December 2019 disclosed cash of \$2,070,224 and total equity of \$2,076,168. Management Rights are considered to be a substantial asset under Listing Rule 10.2. The actual percentage that the consideration comprises of Raptis Group Limited equity is 290%. One property development has been successfully completed since the reorganisation. The company continues to research development opportunities.

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 capital growth of the Waterpoint Residences near Harbour Town on the northern 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 with no financial interest in the Waterpoint Management business.

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

1. I regard this as a quality asset with a stable cash flow and lower inherent risk than property development.
2. This is a larger 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.

- (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 with the Waterpoint Trust.
- (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 this Resolution.

GLOSSARY

\$ means Australian Dollars or Cents.

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.

Constitution means the Company's constitution.

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.

Independent Experts Report means the report prepared by Grant Thornton Finance Pty Ltd

Listing Rules means the ASX Listing Rules.

Notice of Meeting means the notice of meeting including the explanatory statement independent experts report and attachments.

Raptis Private Family Interests means Waterpoint Management Pty Ltd ACN 609 494 653 as trustee for the Waterpoint Management Trust. Entities in which James and Helen Raptis have a beneficial interest but excluding controlled entities of Raptis Group Limited.

Resolution means a resolution set out in the Notice of Meeting.

Valuation means the Valuation Waterpoint Residence valuation prepared by Australian Valuers dates 15 January 2020

Waterpoint Management Business means the Caretaking Agreements, Letting agreements and office facilities at the Waterpoint Residences 5 Harbourside Court Biggera Waters Queensland.



Grant Thornton

An instinct for growth™

Raptis Group Limited

Independent Expert's Report and Financial Services Guide

30 April 2020

The Independent Director¹
Raptis Group Limited
Nexia Sydney, Level 16
1 Market Street, Sydney
New South Wales 2000

30 April 2020

**Grant Thornton Corporate
Finance Pty Ltd**
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230
T +61 2 8297 2400

Dear Mr Cory

Independent Expert's Report and Financial Services Guide

Introduction

Raptis Group Limited ("RPG²", "Raptis Group" or the "Company") was incorporated in 1983 and is engaged in property development, management and investment activities in Australia. Raptis Group's residential, commercial and retail development projects are located in Southeast Queensland, where the Company has long established its foothold. The Company is listed on the Australian Securities Exchange ("ASX") and had a market capitalisation of \$4.6 million³ as at 6 September 2019.

Raptis Resorts Pty Ltd ("Raptis Resorts") (ACN 638 815 513) is a wholly-owned subsidiary of the Company. It was incorporated on 31 January 2020.

Raptis Resorts has expressed intention to acquire the following:

- The rights in each caretaking agreement and letting agreement and any variation of them (the "Management Rights") in relation to Waterpoint Residences (the "Development" or the "Complex"). Please see Section 4.2 for further details on Waterpoint Residences;
- Letting appointments provided by individual owners pursuant to the Property Occupations Act QLD (also known as Property Occupations Act Form 6) and any associated bonds or security deposits.
- Phone number, email address, all website materials, all plant and equipment, intellectual property rights and stock in trade⁴ held by The Original Waterpoint Management Trust⁵ (the "Current Trust").
- Lot 1⁶.

¹ The Company has three directors, two of whom are James Raptis and Helen Raptis. The only independent director is Malcolm Cory, who is also one of the Company secretaries.

² The Company's ticker on the ASX

³ Based on 152,842,427 shares at \$0.03 per share as at 6 September 2019, the latest trading on the shares of RGP. The shares of the Company are thinly traded with only four trading transactions in the past 12 months to 6 April 2020.

⁴ Inventory, chattels (assumed to include vehicles) and plant and equipment that are pertinent to the operation of the management and letting rights business have been valued as part of the Manager's Lots, according to the Valuation Report.

⁵ It is proposed that Waterpoint Management Trust will be renamed "The Original Waterpoint Management Trust" to distinguish it from the new trust to be created for the purpose of the Proposed Transaction, which will be called Waterpoint Management Trust.

⁶ This is separately valued as part of the Manager's Lots. There are two Manager's Lots (the "Manager's Lots") in the Complex including Lot 1 (SP279571) and Lot 2 (SP294556) where offices are located.

- Goodwill associated with the operation of the assets above.

The caretaking agreement and letting agreement (along with the letting appointments) and other assets above are collectively termed as Management Assets. Raptis Resorts is proposing to acquire the Management Assets and Lot 2 at the Development (the “Proposed Transaction”). Raptis Resorts is proposing a purchase consideration (the “Consideration”) of \$6.01 million⁷, of which \$90,000 relates to Lot 2 which will be settled and paid separately in cash. The balance of the Consideration is structured such that c.\$1.7 million will be paid upfront and the balance of c.\$4.2 million will be via a loan facility to be provided by Zoe Finance Pty Limited, an entity owned by James Raptis and hence a related party. Please see Section 1.3 for the details of the funding.

The Proposed Transaction requires that a new lease on manager’s residence⁸ is entered into.

The Management Assets are currently held by Waterpoint Management Pty Ltd (ACN 609 494 653) as an undisclosed trustee to the Current Trust, whose Principal and principal beneficiaries include James, Helen and Evan Raptis (“Raptis family” or the “Related Party”). James Raptis is the Chairman, CEO, MD and Company Secretary of RPG whilst Helen Raptis is the Executive Director. The Related Party, through Hanslow Holdings Pty Ltd, owns 63.8% of the issued capital of the Company. Please refer to page 17 for the existing and the Proposed Transaction’s structures.

At the completion of the Proposed Transaction, the Current Trust will transfer the control of the economic benefits of the Management Assets to Waterpoint Management Trust (the “New Trust”). At the same time, the new lease on the manager’s residence will be entered into. Consequently, Raptis Resorts will become the principal of the New Trust. Whilst the Raptis Family is designated principal beneficiary of the New Trust, a revocable resolution will be executed declaring that all future income and capital of the trust fund will vest in RPG. There will be no physical transfer of capital asset in this case⁹. We understand this arrangement followed a formal legal advice of the Queens Counsel.

For the purpose of this Report, the Company has appointed Australian Valuers, an independent property valuation company to review and provide an assessment of the value of the Management Assets and the Lot 2. A copy of the Australian Valuers’ valuation report (the “Valuation Report”) dated 15 January 2020 is included as Appendix C to this Report. Considering that the Valuation Report was prepared pre-COVID 19, RPG has requested Property and Hospitality Valuations Pty Ltd (“PHV”), another independent valuer based in Queensland, to review the Valuation Report and issue an independent letter summarising its review comments (the “Peer Review Letter”). The Peer Review Letter is included as Appendix D to this Report. We understand that RPG has initially requested Australian Valuers to provide an update on its earlier valuation of the Management Assets and the Lot 2 in view of the current situation. However, Australian Valuers has declined the request stating that it is currently assessing impact of COVID 19 pandemic on the valuation and is not in a position to update the valuation at this stage.

⁷ The Consideration has been set in line with the latest independent valuation of the Management Rights and Manager’s Lots.

⁸ Relates to Lot 1706 on SP279571 which is owned by the Current Trust

⁹ This is not the case for the Lot 2 as there will be an actual transfer of title to the lot.



Purpose of the Report

The Independent Director has engaged Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance" or "GTCF") to prepare an independent expert's report (the "Report" or the "IER") to state whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction (the "Non-Associated Shareholders") of the Company. This is for the purposes of Chapter 2E of the Corporations Act 2001 (the "Corporations Act") and the Chapter 10 of the ASX Listing Rules.

We note that we have not formed an opinion in relation to the \$4.2 million loan facility provided by Zoe Finance Pty Limited, an entity owned by James Raptis, and hence a related party, to fund the Consideration. We understand that the Independent Director has assessed the terms of the loan facility to be on arms' length.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR AND REASONABLE to the Non-Associated Shareholders of the Company.

Fairness Assessment

In forming our opinion in relation to the fairness of the Proposed Transaction to the Non-Associated Shareholders of the Company, Grant Thornton Corporate Finance has considered the valuation of the Management Assets and the Manager's Lot 2 vis-à-vis the Consideration.

Independent valuation of the Management Assets and Lot 2

Australian Valuers has prepared its valuation of the Management Assets and the Lot 2 as at 15 January 2020 (the "Valuation Date") based on the Australian Property Institute and New Zealand valuation standards. Australian Valuers has used the following assumptions:

- The caretaking and letting arrangements have been valued on a going concern, on a walk-in, walk-out basis.
- The Manager's Lots have been valued on an unencumbered fee simple and unfurnished basis.
- The standard of value used is the market value. The International Valuation Standards Council ("IVSC") defines the market value as "*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*".
- The Development is fully operational at the Valuation Date, including the Building F or the fifth tower. The Building F is a new addition to the Complex and forming part of Precinct 3. Its construction was completed prior to the end of 2019.
- The unsold 30 units in Building F at the Valuation Date will be gradually sold to individual lot owners and Waterpoint Management Pty Ltd will not hold on to any number of units for a prolonged period of time.
- The resulting value of the Managements Rights is entirely based upon prudent and quality management by Waterpoint Management Pty Ltd.

- The valuation is exclusive of Goods and Services Tax ("GST").

In valuing the Management Assets and Lot 2 as at the Valuation Date, Australian Valuers has:

- Used the Capitalisation of Income approach as the primary approach. This approach requires the selection of a maintainable level of earnings to be capitalised using a multiple supported by market evidence. In this case, Australian Valuers used the Net Operating Profit ("NOP") as a measure of earnings and transactions involving the sale of management rights within the Gold Coast and Brisbane areas from 2017 to present to support the selected multiples. For the purpose of calculating the maintainable level of NOP, Australian Valuers took into consideration the Verification Report¹⁰ prepared by Managed Right Pty Ltd (the "Accountant").
- Cross-check the implied price per unit let and price per total lot and Return on Investment ("ROI") from the primary valuation approach with metrics implied in comparable transactions.

The independent valuation of the Management Assets and Lot 2 resulted in a range of \$7.0 million to \$7.4 million (mid value of \$7.2 million) consisting of \$6.9 million to \$7.3 million (mid value of \$7.1 million) for the Management Assets and \$0.09 million for Lot 2. Based on the Peer Review Letter dated 31 March 2020, whilst the valuation of the Manager's lots remains the same, the valuation of the Management Rights declined to \$5.9 million. This is due to the uncertainties the COVID 19 pandemic may have on the Australian real estate market.

In its letter, PHV outlined the following:

- Commission, management and letting / re-letting fees declined by approximately 22% as a result of a vacancy adjustment of eight (8) weeks as opposed to two (2) weeks assumed in the Valuation Report. PHV also adjusted the letting / re-letting fees by 50% on account of six (6) months prohibition on tenants to vacate a property in case of non-payment of rental obligations.
- Operating expenses increased by 10% to reflect higher working costs and standard of cleaning required to prevent the spread of COVID 19.
- The mid-range multiplier of 6.3x from the Valuation Report was adjusted down by PHV to 5.8x to account for uncertainty in the management rights market in view of the COVID 19 pandemic. PHV also cited the vacancy and rental rates, which could potentially be affected by a large number of holiday let units entering the permanent letting pool due to reduction in tourism on the Gold Coast area¹¹ in the short- to medium-term.
- PHV and Australian Valuers, however, both acknowledged that the valuation of the management rights was conservative considering that letting pool of Building F (i.e., fifth building) (which was recently completed) and the security and gardening contracts were not accounted for in the valuation.
- Below is a summary of the updated valuation compared with the value of the consideration.

¹⁰ A report prepared by an independent accountant to verify reasonableness of the operating results of the Management Assets.

¹¹ Waterpoint Residences is located within a suburban area. However, it is not far from adjoining suburbs, which have significant amount of holiday let units.

Valuation Summary		
\$ '000, excluding GST	Reference	Mid
Current market value of the Management Assets and the Manager's Lot 2	Appendix D	6,010
Value of the consideration		6,010
Discount		-
Discount %		-
Assessment		FAIR

Source: The Valuation Report, Raptis Group's Notice of General Meeting and Explanatory Statement, GTCF analysis

The Consideration is equal to the combined valuation of the Management Assets and the Manager's Lot 2, as determined by the independent valuer. Accordingly, we conclude that the Proposed Transaction on the basis of the calculations above is **FAIR** to the Non-Associated Shareholders of the Company.

Additional comparable transactions

As an extension of the main methodology adopted by the independent valuer, we have considered a number of management rights on permanent letting developments within the Gold Coast and Brisbane areas that have recently been sold¹² and / or currently advertised for sale. We note that in the Valuation Report, Australian Valuers used a few comparable transactions. The table below provides information on the general location of the management rights along with our independently calculated remaining terms of the caretaking agreements, NOP per unit, ROI and multiples.

¹² As disclosed in the broker's website.

Comparable transactions										
Location	Complex type	Asking price (\$)	Total units	Letting pool	Letting pool %	Remaining term	NOP (\$)	NOP/unit	ROI	Multiple
South Brisbane	Permanent	2,650,000	131	122	93%	88%	439,467	3,355	16.6%	6.0x
Fortitude Valley 2	Permanent	2,600,000	232	90	39%	Not given	482,812	2,081	18.6%	5.4x
Kippa-ring	Permanent	2,352,407	150	129	86%	72%	480,000	3,200	20.4%	4.9x
Surfers Paradise	Permanent	2,260,000	194	23	12%	90%	417,000	2,149	18.5%	5.4x
Bald Hills	Permanent	2,250,000	109	106	97%	96%	406,000	3,725	18.0%	5.5x
West End (Brisbane)	Permanent	2,155,000	120	47	39%	92%	377,582	3,147	17.5%	5.7x
Pacific Pines	Permanent	1,990,000	Not given	Not given	-	92%	350,000	-	17.6%	5.7x
Griffin	Permanent	1,960,000	114	105	92%	92%	370,338	3,249	18.9%	5.3x
Coombah	Permanent	1,912,000	133	86	65%	80%	341,379	2,567	17.9%	5.6x
Fortitude Valley	Permanent	1,650,000	Not given	Not given	0%	Not given	306,000	-	18.5%	5.4x
Hope Island	Permanent	1,560,000	114	39	34%	76%	272,800	2,393	17.5%	5.7x
Robina 2	Permanent	1,497,920	105	58	55%	68%	272,349	2,594	18.2%	5.5x
Robina	Permanent	1,330,000	106	22	21%	76%	251,570	2,373	18.9%	5.3x
Carrara	Permanent	1,300,000	159	13	8%	56%	230,000	-	17.7%	5.7x
Broadbeach	Permanent	1,200,000	97	6	6%	70%	255,000	2,629	21.3%	4.7x
Hamilton	Permanent	1,185,000	111	15	14%	84%	290,232	2,615	24.5%	4.1x
Main Beach	Permanent	1,000,000	80	5	6%	90%	188,623	2,358	18.9%	5.3x
Robina	Permanent	955,000	Not given	30	-	84%	180,000	-	18.8%	5.3x
Main Beach	Permanent	435,000	26	2	8%	60%	100,000	3,846	23.0%	4.4x
Main Beach 2	Permanent	435,000	26	3	12%	72%	100,000	3,846	23.0%	4.4x
Surfers Paradise	Permanent	155,000	20	12	60%	68%	43,000	2,150	27.7%	3.6x
Low										3.6x
Median										5.4x
Average										5.2x
High										6.0x

Source: www.TheOnsiteManager.com.au, Queensland Market Monitor, GTCF analysis

Note (1) The information is as at 9 April 2020

Note (2) The asking price is the initial vendor asking price as published on www.TheOnsiteManager.com.au website. Based on Queensland Market Monitor's issue for the third quarter of 2019, the median vendor discount is in the region of 5%. For the purpose of the analysis above, we have not deducted the 5% discount from the initial vendor asking price to calculate the discounted price. This is to be comparable with the multiplier adopted in the Valuation Report and in the Peer review letter, which is prior to any discount.

Note (3) The asking price excludes the real estate component of the transaction. It is purely for the management rights

Note (4) The NOP / unit is calculated as net operating profit divided by total units

Note (5) The ROI is calculated as NOP divided by the discounted price

Note (6) The multiple or the multiplier is calculated by dividing the discounted price by the NOP.

In our analysis of the comparable transactions above, we note the following:

- The market value of the management rights is driven by a number of factors such as the profit and expected rate of return on the subject property, type of management rights (i.e., permanent or holiday), age and physical condition of the property, terms of the caretaking agreement, number and type of units in and the composition of the letting pool, time remaining on the management rights agreement, overall size of the complex, location, negotiation skills, vendor's individual circumstances and supplier contracts. At the current market condition, it is also important to consider the potential impact of COVID 19 specifically in the Australian real estate market and in the business environment in general.
- As at the Valuation Date, Waterpoint Residences has 192 letting pool out of 664 total available units, or equivalent to 29% letting percentage. Please see Section 4.3 for further details on this. Further, Waterpoint Residences has an average of 22 years remaining in its caretaking agreements or approximately 87%. Hope Island with 34% letting percentage is the most comparable to the Development. South Brisbane, on the

other hand, is the most comparable to the Development with regards the remaining term on the caretaking agreement of 88%. Hope Island's resulting multiple is 5.7x whilst South Brisbane exhibited a multiple of 6.0x, respectively. The updated multiple of 5.8x based on the Peer Review Letter falls within and is supported by the multiple range of Hope Island and South Brisbane. Note that the multiples from the table above are calculated based on the published asking prices and that they are not completed transactions.

- The guideline transaction average and median multiples of 5.2x and 5.4x respectively, provide overall directional support to the updated multiple of 5.8x based on the Peer Review Letter. We note that the updated multiple accounts for the impact of COVID 19.
- Note that the website where we took the advertisements from did not disclose specific information on the subject properties' relative age, or include comments / opinion on their physical condition and the individual circumstances and selling motivations of the vendors. This said, our selected most comparable transactions may have been different had we been able to access these relevant information.

Fairness Conclusion

Based on the above, it is our opinion that the Proposed Transaction is **FAIR** to the Non-Associated Shareholders of the Company.

Reasonableness Assessment

ASIC RG 111 Content of expert reports establishes that a related party transaction is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for shareholders to vote in favour of the transaction.

In considering the reasonableness of the Proposed Transaction, we have assessed the following advantages, disadvantages and other factors.

Advantages

Low risk profile of the Management Rights

The Management Rights have relatively lower risk profile than property development. The acquisition of the Managements Rights provide Raptis Resorts with a caretaking business that is producing a fixed income base. It also provides Raptis Resort with exclusive rights to manage and enter into letting agreements with individual owners of units in the Complex.

The acquisition of the Management Rights does not expose Raptis Resorts to a lengthy development period involved in the property development business. It also requires lesser capital as compared to property development.

Stable income source and market appeal of the Management Rights

The Management Rights acquisition provides a stable source of income to Raptis Group (as discussed above) in the next 11 to 15 years up to 2034, unless the agreements are terminated earlier. The existing caretaking and letting agreements carry with them an extension option for another ten years, bringing the term to 21 to 25 years, to 2044. Accordingly, Raptis Group can potentially reasonably predict and monitor its future cash flows.



The Proposed Transaction comes with a large scale management rights class that is regarded to have a good market appeal in the industry. This is expected to raise the Company's reputation and credential in managing large-scale property development.

Extension of the existing business

The caretaking and letting businesses are complementary to Raptis Group's existing business model. As the Company aims to continue to develop properties, which we understand will focus mainly on the Gold Coast area and particularly in the build-to-rent space, the acquisition of the Management Rights integrates property caretaking and letting services to its current property development service offerings. Thus, this enables the Company to provide a whole range of services altogether within the same business.

Commercially viable structure of the Proposed Transaction

The transfer of control of the economic benefits of the Management Assets to Raptis Resorts (and ultimately to RPG) without an actual transfer of the capital asset allows the tax exposure to be at a minimum. This approach also relieves the Current Trust of the need to seek the relevant body corporate approval of the Proposed Transaction. We understand this arrangement followed a formal advice of the Queens Counsel.

Availability of a financing arrangement from an associated entity

The balance¹³ of the Consideration (i.e., c.\$4.2 million) will be provided by Zoe Finance Pty Ltd¹⁴ (ACN 638 819 315) ("Zoe" or the "Lender") in order to facilitate a successful completion of the Proposed Transaction. This is an indication of the support of James Raptis to the Proposed Transaction. We note from the draft Notice of Meeting that the Raptis family could sell the businesses in a more beneficial manner to an external party but has decided to offer the Management Assets to Raptis Resorts to assist it (and ultimately the Raptis Group) to secure the income and capital growth of the Complex. We understand that the Raptis family has recently identified a potential buyer of the Management Assets which, if the sale proceeds, will provide benefits to RPG in the next 3 to 15 months.

The Proposed Transaction provides an opportunity for RPG to manage its current aversion to a large property development project

In FY19, Raptis Group reported nil revenue from the sale of developed properties as units in the townhouse project in Springwood, Brisbane were all sold in FY18. In the event the Proposed Transaction will not proceed, Raptis Group will need to secure an appropriate development site or other property-related opportunities. Otherwise, its profitability will continue to decline which has a negative impact on its share's listing status, and ultimately on its shareholders. We understand, however, that RPG does not want to be exposed to a large property development project in this current market situation such that the Proposed Transaction suits RPG's current risk appetite (given advantages already identified).

¹³ In excess of the upfront cash payment of \$1.7 million.

¹⁴ An entity wholly-owned by James Raptis.

Disadvantages

Complex deal structure

In order to better manage tax exposure and simplify administrative processes for the Proposed Transaction, several entities within the Raptis Group have been involved. Raptis Resorts is the designated acquirer of the Management Assets from the New Trust. Whilst Raptis Resorts is the principal in the new trust deed, RPG will become the principal beneficiary of the new trust following a revocable resolution of the new trust's director in this regard. Without this resolution, Raptis family remains the primary beneficiary of the new trust deed. Raptis Resorts is a wholly-owned subsidiary of RPG. RPG is 63.8% owned by Hanslow Holdings Pty Ltd, an entity owned by the Raptis family. Upfront cash component of the Consideration will be provided by RPG whilst Zoe Finance Pty Ltd, an entity owned by James Raptis, will fund the balance via a loan facility.

Further, there will only be a transfer of control of the economic benefits of the Management Assets to Raptis Resorts as opposed to an outright sale of the Management Assets. We understand that the Proposed Transaction's structure followed a commercially viable process the subject of a formal advice of the Queens Counsel.

Please refer to Section 2.1 for a diagram of the current and proposed transaction structure.

The timing of the Proposed Transaction may not be ideal

COVID19 has negatively impacted many businesses not just in Australia but globally as well. Uncertainties in the market have not spared large businesses and defensive assets as COVID 19 has put significant pressure on their profitability and sustainability. With quarantine restrictions still in place (which are expected to continue at least until run up to end of June 2020) nationwide, the negative impact is expected to continue. Small and medium businesses, unfortunately, have been hard hit with many of them have been forced to stop operations temporarily or permanently. In the case of the Development, its valuation declined by approximately 16% from the Valuation as at 15 January 2020, with the midpoint of the value range declining from \$7 million to \$5.9 million. PHV expects COVID 19 to significantly impact property prices.

Whilst the extent of the impact of COVID 19 in the Australian market is still being assessed, what is clear at this stage is it has caused a number of Australians to lose their jobs or for others to experience pay cut. This scenario is expected to trigger tenants to encounter financial difficulties that may lead them not paying their rental obligations (on time or at all) and at worst, vacating their rented properties. This is evident in the Peer review letter, where PHV assumed a vacancy adjustment of 8 weeks as opposed to Australian Valuers' 2 weeks (pre-COVID 19) and the letting fees reducing by half due to 6 months prohibition for landlords to compel their COVID 19-affected tenants to pay their rental obligations.

Other factors

Board recommendation in favour of the Proposed Transaction

The Independent Director of Raptis Group recommends to the Non-Associated Shareholders of the Company to vote in favour of the Proposed Transaction on the back of the advantages and benefits as earlier discussed.



RPG's listing status

The Company has had a number of trading suspensions since its listing in 1986 for various reasons including failure to comply with Section 12 of the ASX listing rules. Section 12 prescribes the on-going requirements on a listed company on the ASX in order to maintain its status as a listed entity. The Proposed Transaction is expected to assist RPG in meeting the level of operations and financial condition requirements of this specific listing rule.

Reasonableness Conclusion

The advantages outweigh the disadvantages as set out above and on this basis, it is our opinion that the Proposed Transaction is **REASONABLE** to the Non-Associated Shareholders of the Company.

Overall Conclusion

After consideration of the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is **FAIR AND REASONABLE** to the Non-Associated Shareholders of the Company.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each RPG Shareholder to decide based on their own views of the value of the Management Rights and expectations about future market conditions, the Development's performance, risk profile and investment strategy. If the Company Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

30 April 2020

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Raptis Group to provide general financial product advice in the form of the IER in relation to the amendment of the current trust arrangements. This Report is included in RPG's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our Report we provide general financial product advice. The advice in our Report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the IER, Grant Thornton Corporate Finance's client is Raptis Group. Grant Thornton Corporate Finance receives its remuneration from Raptis Group. In respect of the IER, Grant Thornton Corporate Finance will receive from Raptis Group a fee of \$30,000 (plus GST), which is based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the IER. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this Report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of Raptis Group and associated entities in order to provide this Report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide ("RG") 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with Raptis Group (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction."

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out-of-pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of Section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Transaction

1.1 Background

Raptis Group is an ASX-listed entity that is engaged in property development, management and investment activities in Australia. RPG's wholly-owned subsidiary – Raptis Resorts is contemplating on acquiring the control of the economic benefits of the Management Assets which are currently held by the Current Trust and the Manager's Lot 2 on Waterpoint Residences.

There are five sets of caretaking agreements and three sets of letting agreements covering Waterpoint Residences One, Waterpoint Residences Two, Waterpoint Residences Three, Principal Body Corporate and the marina. We understand that as the fifth tower¹⁵ has recently been completed, only the caretaking revenue on the fifth tower has been accounted for in the valuation of the Management Assets. A summary of the salient terms and conditions of the existing agreements are summarised and presented in Appendix A.

At the completion of the Proposed Transaction, the Current Trust will transfer the control of the economic benefits of the Management Assets to the New Trust. At the same time, the new lease on the manager's residence will be entered into. Consequently, Raptis Resorts will become the principal of the New Trust. Whilst the Raptis Family is the designated principal beneficiary of the New Trust, a revocable resolution will be executed declaring that all future income and all capital of the trust fund will vest in RPG.

1.2 Key conditions in the acquisition of control of the economic benefits attached to the Management Assets

The completion of the Proposed Transaction is conditioned on the following:

- Creation of the New Trust on terms satisfactory to Raptis Resorts and arrangements being in place for the New Trust to hold the Management Assets upon satisfaction of the remaining conditions precedent;
- Completion of a contract for the sale of Manager's Lot 2 from HS4 Pty Ltd to the New Trust;
- Payment of the cash component for the Management Assets into a bank account in the name of the Current Trust;
- The Current Trust, the New Trust, and the Lender entering into Management arrangements deed on terms satisfactory to those parties and proceeding to completion. The deed shall cover, among other things, the arrangements for payment of the Consideration;
- The Current Trust granting the New Trust a lease or entering into a transaction to similar effect, whether or not it operates formally as a lease in respect to the Manager's Residence, on terms satisfactory to those parties; and
- Raptis Group's shareholders meeting authorising the Proposed Transaction.

¹⁵ It was clustered into Waterpoint Residences Three for titling purposes

1.3 Funding

Based on the valuation of the Management Assets and the Manager's Lot 2, Raptis Resorts is offering to acquire the control of the economic benefits attached to the Management Assets from the Current Trust in exchange for the Consideration of \$6.01 million.

Raptis Resorts intends to fund the acquisition as follows:

- The Manager's Lot 2 is acquired at its market value of \$90,000 (plus GST, duty and registration costs) in cash;
- Initial cash payment of c.\$1.7 million; and
- The balance of the Consideration amounting to c.\$4.2 million will be funded by Zoe Finance Pty Ltd as Trustee for Zoe Finance Trust.

The key terms of the financing include:

- The financing limit is \$4.2 million plus any other amounts agreed to be advanced by the Lender to the Borrower¹⁶;
- Interest per annum will be between 5% and 5.5%, payable monthly in arrears and commencing one month from the initial advance date;
- Principal repayment is equal to a minimum of \$200,000 provided that prior to making any distributions, the New Trust has sufficient cash resources;
- The term of the financing is the earlier of five years from the date of initial release and the Lender electing to forward the termination date due to the Borrower's event of default (with the Borrower failing to remedy the event of default); and
- Security includes a first mortgage over all land held by the New Trust, first ranking general security deed over all present and future acquisition of property by the New Trust and any ancillary documents as required by the Lender.

1.3.1 Conditions precedent¹⁷ on the funding

These conditions include:

- Execution and delivery of all documentation in relation to the loan facility including security and any ancillary documents to the Lender or the Lender's solicitors, which is capable of registration;
- Delivery to the Lender to its satisfaction any certificate, document, statement, record, searches on personal property and securities and title searches on the property (being the Lots 1 and 2);

¹⁶ The financing arrangement in this case is between the Lender and the New Trust

¹⁷ Based on the Loan facility deed

- Insurance's certificate of currency if requested by the Lender;
- Release of any security over the Borrower, or the property and Management Assets; and
- Other conditions as reasonably determined by the Lender having regards to the nature of the advance.

2 Purpose and scope of the Report

2.1 Purpose

Chapter 10 of the ASX Listing Rules

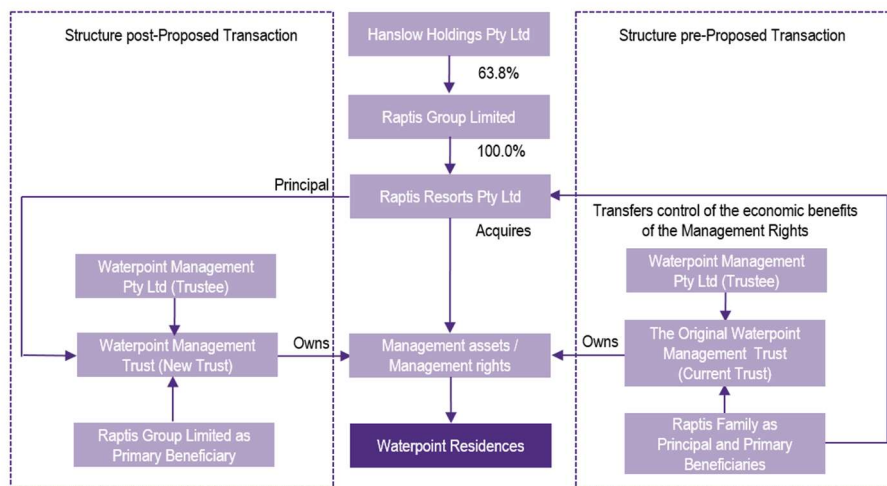
Chapter 10 of the ASX Listing Rules requires the approval from non-associated shareholders of a company if the company proposes to acquire or dispose a substantial asset from a related party or a substantial holder.

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.

Raptis Resorts (a wholly-owned subsidiary of the Company) is contemplating on acquiring the control of the economic benefits of the Management Assets which are currently held by the Current Trust and the Manager's Lot 2 on Waterpoint Residences. Accordingly, the Independent Director has requested Grant Thornton Corporate Finance to prepare the Independent Expert's Report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of the Company.

The diagram below summarises the Proposed Transaction's structure.



Source: GTCF analysis

2.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of the Independent Expert's Report and RG 76 in relation to the related party transactions. RG 76 largely refers to RG 111 in relation to the approach to the related party transactions.

RG 111 establishes certain guidelines in respect of the Independent Expert's Reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 also regulates the Independent Expert's Reports prepared for the related party transactions in clauses 52 to 63. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular, where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG 111 clause 56 states the following:

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions at RG 76.106–RG 76.111 for further details).

Accordingly, in the consideration of the Proposed Transaction, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages to the Non-Associated Shareholders of the Company.

RG 111 notes that the related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

In considering the fairness of the Proposed Transaction, we have analysed the key terms of the legal agreements¹⁸ supporting the Proposed Transaction as well as the valuation of the Management Rights, the Manager's Lots by an independent valuer (including the Peer review letter) to ensure they are fair to the Non-Associated Shareholders of the Company and no net financial benefits are accrued to Hanslow Holdings Pty Limited and / or its shareholders and associated entities.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders of the Company, we have considered a number of factors, including:

¹⁸ These include draft of Heads of Agreements, Management Arrangements Deed, Loan Facility Deed and New Trust Deed

- Whether the Consideration paid for the Management Assets is fair.
- The implications to Raptis Group and the Non-Associated Shareholders of the Company if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders of the Company.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 “Independence of Expert’s Reports”.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this Report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this Report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 Consent and other matters

Our Report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around 21 May 2020 in which this Report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders of the Company in their consideration of the Proposed Transaction. This Report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this Report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Shareholders of the Company as a whole. We have not considered the potential impact of the Proposed Transaction on individual Non-Associated Shareholders of the Company. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for each Non-Associated Shareholder based on their own views of value of the Management Rights and expectations about future market conditions (including impact of COVID 19), the Development’s performance, and risk profile and investment strategy. If the Non-Associated Shareholders of the Company are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This Report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that Standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."



3 Industry overview

The real estate industry, which is valued at \$26.3 billion, is broadly segmented as residential and commercial. Majority of the Australian residential real estate market consists of owner-occupied houses. Multi-storey apartment complexes, which are primarily located in inner cities, have been a main driver of the Australian housing market for the past two decades. Office construction, on the other hand, mainly drives revenue for the commercial property development.

Few major names in the property construction industry are BBP Australia (Multiplex), Lendlease, Dylam Developments, Probuild Constructions and Meriton in addition to many more.

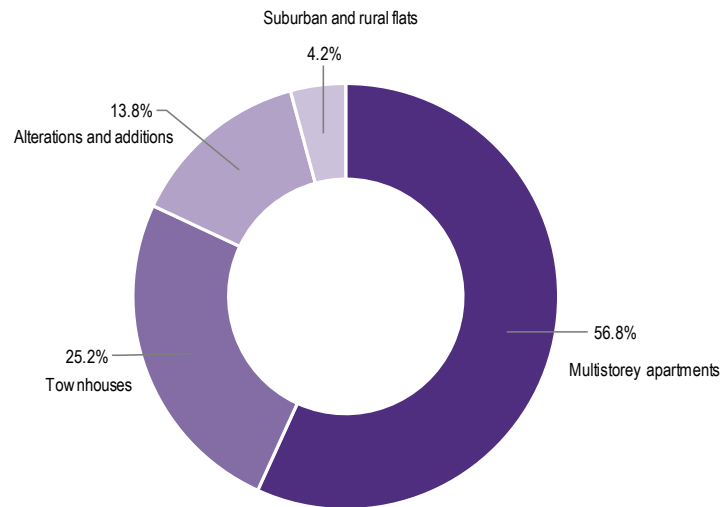
Government infrastructure spending, foreign property investments, continued strong demand for rental properties, lower interest rates, availability of capital and population growth have bolstered the growth momentum. Revenue in the real estate industry has grown strongly over the past five years. It is expected to grow at an annual growth rate of 2.4% for the period FY20 to FY25. However, it is important to discuss the current state of environment in the wake of COVID 19 pandemic and its implications on the real estate sector in Australia. The effects at this point are critically polarised in specific sectors with increased unemployment in the tourism, entertainment and hospitality sectors and rising rental listings. Quantum and extent of the impact of COVID 19 on the real estate industry is still to be fully understood.

The following section provides more details on the drivers of demand in the industry, overview of the industry in Gold Coast area as well as the outlook of the industry.

3.1 Residential construction

A booming residential property market has driven the real estate industry over the past five years. Despite turbulent economic conditions, government incentives and falling interest rates have provided growth to the market. Government incentives have played a major role in stimulating the market such as the incentive introduced in 2017-18 Federal Budget, effective as of 1 July 2018, which allows 65+ years' old homeowners to place up to \$300K of their proceeds from the sale of homes into their superannuation fund. This has provided significant tax savings and boosted property sales hence, supporting industry revenue over the past five years.

Multi-storey apartment complexes, primarily located in inner cities have dominated the Australian housing market for the past two decades enabling the industry to derive more than half of its revenue from the construction of large-scale apartment complexes. Please see graph below. This segment is expected to contract over the next five years due to reduced foreign investment and oversupply of apartments in several major cities.

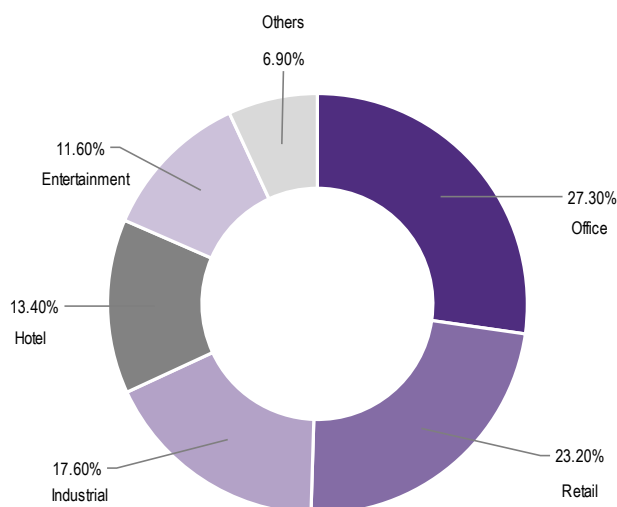


Source: IBISWorld Real Estate Services, Multi-Unit Apartment, Commercial Building Construction in Australia

3.2 Commercial construction

Australia's shift from a manufacturing to a service-based economy has provided growth to the office property market, which is the major source of growth for the commercial market segment. Superannuation funds looking to diversify investor portfolios have been increasingly purchasing office property. Even though retail demand has been affected by online stores and negative consumer sentiment, it has grown over the past five years with premium retail stores in upmarket locations performing well.

Office construction at present represents the largest source of revenue for the commercial property development. Its performance fluctuates in tandem with the progress of large-scale office developments. Please see graph below. The recent trend in Australia has been moving towards shared spaces as well as home offices. However, demand for prime office accommodation in the major cities has continued to expand strongly in the recent years.



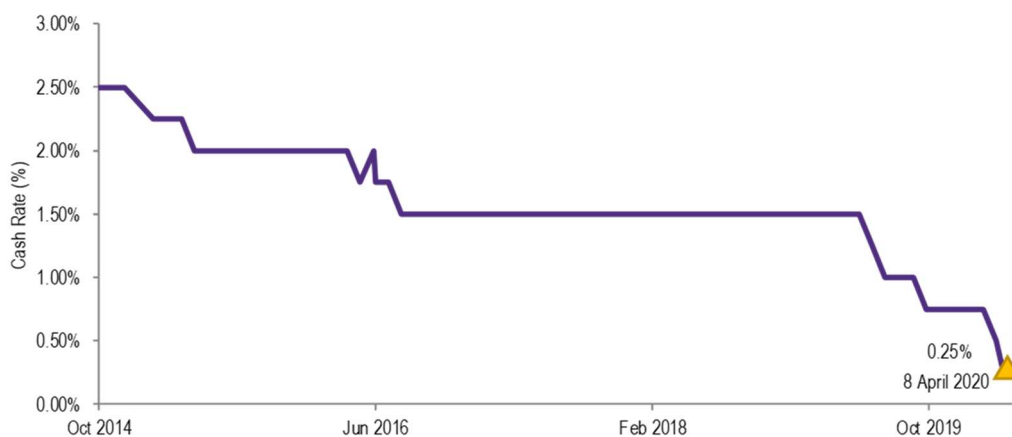
Source: IBISWorld Real Estate Services, Multi-Unit Apartment, Commercial Building Construction in Australia

3.3 Key demand drivers

3.3.1 Low interest rates

Since the Global Financial Crisis (“GFC”), the RBA has supported low interest rates in the belief that the increased liquidity will help the economy recover and increase the real GDP growth rate. Whilst Australia did witness growth in real GDP, the high level of liquidity in the system benefitted the real estate industry since the total value of properties transacted increased between 2014 and 2017 before declining by 9% to \$32.8 billion in 2018. In October 2019, the RBA further reduced the cash rate from 1% to 0.75% due to continued low inflation and GDP growth rate. More recently, as a result of the COVID-19 pandemic, the Federal and State Governments and the RBA have put in place a number of measures to support the economy and seek to reduce the spread of the virus including limiting public gatherings and the closure of many non-essential businesses, services and public spaces. To stimulate demand and support businesses, RBA has reduced the cash rate to 0.25% as of 8 April 2020. The low interest rate environment is expected to continue to support the real estate sector.

RBA Cash Rate



Source: Reserve Bank of Australia, GTCF analysis

3.3.2 Compressing yields

As outlined in the graph below, the yield on properties has closely followed the 10-year bond, which in turn is linked, to the cash rate. Due to increase in the level of real estate activity since the GFC, property prices have increased which has resulted in a reduction in yields¹⁹. However, the lower returns provided by other asset classes such as government bonds have helped maintain the demand for real estate assets.

Correlation between yield on 10-year Australian Government Bond and yield on real estate



Source: Reserve Bank of Australia, MOE Investor Day presentation, GTCF analysis

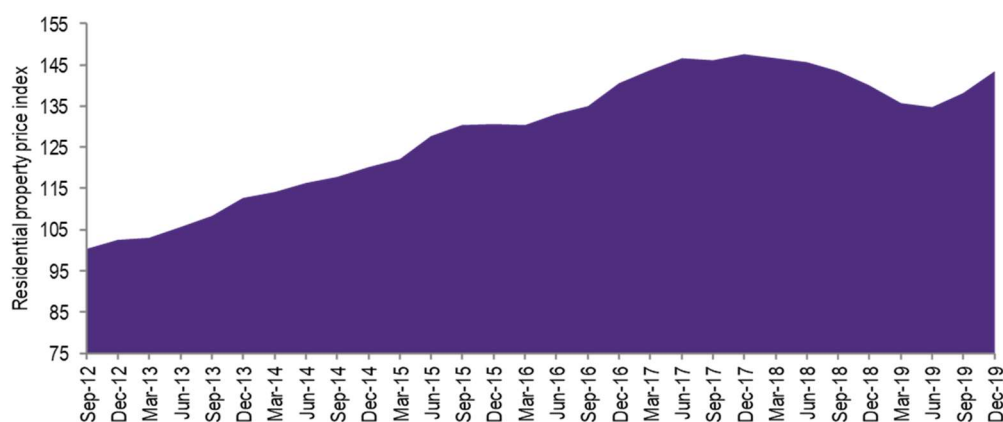
The low interest rate environment and the high level of liquidity in the system also benefitted the residential housing market as evidenced by the increase in the residential property price index²⁰ ("RPP Index") published by the Australian Bureau of Statistics ("ABS") which is set out in the following graph. During this period, the cash rate has declined from 2.75% to 0.25% as the RPP Index increased from approximately 100 in September 2012 to approximately 143.5 in December 2019. The RPP Index declined in the June quarter 2019 in conjunction with a reduction in the house prices across the country, particularly in the Sydney and Melbourne markets. However, more recently, the RPP Index increased in the December quarter 2019 following a quality assurance undertaken by the ABS, which confirmed that the bushfires did not result in quality impacts to residential property price statistics for the December quarter.

¹⁹ Yields indicates how much of an annual return an investor is likely to get on an investment. Property yields are calculated as a ratio of the rental income divided by the property value. Accordingly, when demand is high, the cost of purchasing a property increases (i.e. its value) reducing the yield as a result, provided that the rental income does not increase proportionately.

²⁰ The Residential Property Price Index provides estimates of changes in residential property prices in each of the eight Australian capital cities and related statistics. The information is presented as price indexes for attached dwellings and established houses as well as an aggregated RPP index.



Movements in the RPP Index from September 2012 to December 2019



Source: ABS 6416.0 Residential Property Price Indices

Market conditions improved following the Federal Election in May 2019, RBA's consecutive interest rate cuts in 2019 and the Australian Prudential Regulatory Authority ("APRA") reducing the mortgage interest rate serviceability threshold in July 2019. In particular, we note that the Sydney and Melbourne markets have both recorded higher auction clearance rates in recent months and the first rises in median house prices since July 2017 were recorded in June 2019. The improved market performance has continued in December 2019 when strong home price gains in Sydney and Melbourne resulted in a national increase in dwelling values of 3.9% (Sydney increased by 4.7% and Melbourne by 5.2%).

3.3.3 Commercial property sector

The commercial property sector has grown strongly over the past five years mainly due to demand for office space and investor appetite for higher yields. In particular, over the past five years, office property transaction volumes have been dominated by overseas investors mainly from North America. There are some thematic which may have an adverse impact on the demand for office and commercial properties in the medium-term such as the rise of office sharing practices, working from home and the effect of technology on labour and productivity. These thematic may be exacerbated by subdued business confidence and an economy, which is currently performing below long-term average GDP growth. However, office vacancy rates in Sydney and Melbourne are low and they are expected to continue to support strong pricing.

3.3.4 Business confidence

The NAB Business Confidence Index surged from nil in April 2019 to +7 in May 2019 due to the Federal election results and expectations of the RBA rate cuts, which occurred in June and July 2019. However, the figure dropped to +4 in July 2019 and +1 in August 2019 as a result of sharp deterioration in retail conditions. With the current situation of the COVID 19 pandemic and fear of global recession, both conditions and confidence declined in February 2020 to -4 index points implying that businesses are expecting to see further deterioration in the short term. The softening in conditions was broad-based across industries. Overall, the market conditions and business confidence are well below long-term averages.

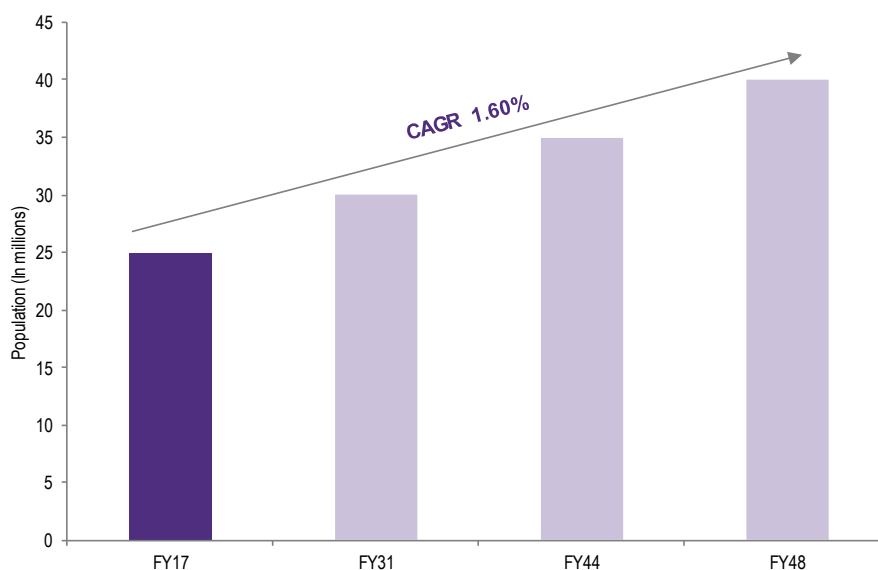
3.3.5 Availability of capital

Another important factor influencing the demand for real estate is the availability of capital, both debt and equity. The APRA recently introduced measures to contain the increasing level of household debt which impacted the lending ability of authorised deposit-taking institutions (“ADIs”) and consequently, the overall lending to the commercial and industrial property market. These measures included additional capital requirements in the form of increased ratios for regulatory capital, emphasis on increased oversight by the board of directors, setting internal limits on high-risk lending and others.

3.3.6 Population growth

Australian population growth has a direct correlation to the long-term demand for residential properties. According to the ABS, Australia population is expected to increase from 25 million in FY17 to 30 million by FY31 as set out in the graph below. The age distribution of the population and the resultant household formation patterns influence long-term demand for residential construction.

Future projected population at different points



Source: ABS 3222.0 Population Projections

Based on the above graph, the population is projected to grow at a CAGR of c.1.6% until FY48, which is one of the fastest rates in any developed country. This is expected to contribute to the long-term demand for residential, retail as well as commercial properties.



3.4 Gold Coast market

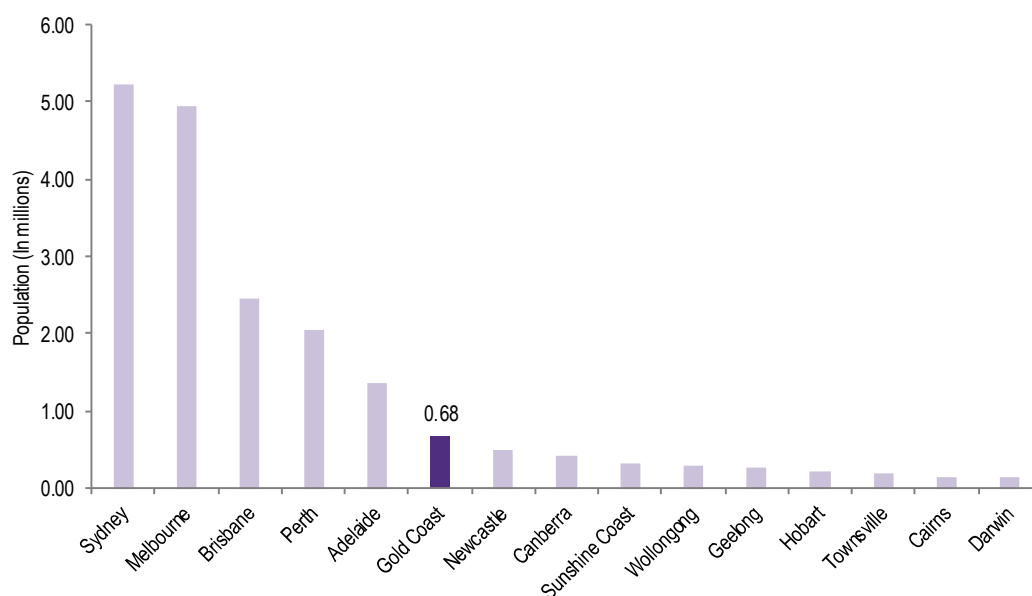
Raptis Group has been developing residential as well as commercial projects on the Gold Coast area for over 30 years. Hence, we have discussed the property market of Gold Coast, Queensland below.

The economic outlook of Queensland ("QLD") remains steady with the State Final Demand ("SFD") showing growth of 1.3% annually to December 2019. Gold Coast contributes circa 11.1% to QLD's total Gross State Product²¹ ("GSP"). The unemployment rate continues to be a drag on the Gold Coast economy and is at 5.6% as of February 2020²², higher than the national average of 4.65%. However, QLD's retail turnover growth has increased on a year-on-year basis to 3.4% in May 2019. The business sentiment is being uplifted by government focus on job growth to reduce the unemployment rate combined with continued importance placed on tourism. Discussed below are key factors of the state of the property market in Gold Coast.

3.4.1 Population

Population growth has been a major driver of growth with 1.7% growth recorded in QLD over the year to June 2019. International migration remains at a high level and on par with long-term national average. Gold Coast outperformed the national average of 1.7% with a 2.6% growth across 2018. Thus, providing a positive outlook for the real estate market in Gold Coast. The graph below shows the population of Gold Coast as compared to other major cities in Australia making it the 6th largest city as of June 2018.

Australia citywide population



Source: JLL Gold Coast Research

²¹ Gross State Product is an indicator of a state's production capacity on a year-on-year basis.

²² Unemployment data in Gold Coast post-February (COVID 19 period) is not available at the date of this Report



3.4.2 Demand and supply

The recent interest rate cuts combined with outcome of the Federal election which confirmed keeping the negative gearing policy as it was, has brought optimism to the investor market. Despite these measures, short-term demand will be constrained due to tight credit conditions and increasing lending standards.

A total of 2,000 apartments representing an increase of 44% are expected to be completed in 2020 (circa 1,400 apartments in 2019). However, this is contingent on construction timeframes and delays, which could potentially push the projects to 2021. It remains a challenging environment to pursue development considering subdued investor demand and tight lending policies, which might lead to many projects being delayed in the short-term. However, medium term outlook remains more positive, aided by APRA's loosening of credit restrictions and recent back-to-back interest rate cuts.

3.4.3 Pricing

Price growth has been moderately positive for Gold Coast and increased by 1.2% over the year to September 2019. To provide context, apartment values in Sydney and Brisbane declined by 3.2% and 2%, respectively. Strong population growth and low rental vacancy have supported capital growth across the Gold Coast market with the median apartment price in Gold Coast being \$410,000 as at 3Q19 higher than Brisbane (\$383,000).

3.4.4 Gross Rental Yields

Gross rental yields for apartments in Gold Coast have increased, rising 0.3% to 5.3% over the 12-months to 3Q19. As seen in the graph below, this is well above each of the major cities namely Sydney (3.2%), Melbourne (3.5%), Brisbane (4.6%) and Perth (4.3%). Even though the rental market is expected to temper across the short-term, the market over the medium-term is expected to remain stable.

Australian Gross Rental Yields



Source: Corelogic National Media Release September 2019



3.4.5 Rental prices

Gold Coast rental market performance has also remained robust with the rates for one, two and three bedroom apartments increasing by 4.3%, 2.3% and 6.1% respectively over the year to September 2019. Even though the rental conditions might face a moderate downward pressure in the short-term due to the ongoing lease of Smith Collective build-to-rent project (former Commonwealth Games Village – 1,252 units), these pressures are anticipated to be short lived. However, Gold Coast's vacancy rate has increased to 3% as at September 2019 from 1.7% as at September 2018. The market is likely feeling the pressure from new supply in 2019 and the developing build-to-rent market. Furthermore, with the current COVID 19 pandemic, retention of tenant becomes imperative as leases expire and tenants look for better options.

3.5 Outlook

The local demand in Gold Coast will continue to fuel small – medium scale residential development. The number of completion is very uncertain at this point due to difficult pre-sale environment. Gold Coast was acutely exposed to a fall in foreign investor demand thus, making the problem evident. The interest rate cuts and easing of prudential measures imposed by APRA is likely to aid to rebalancing of sentiment thus, stimulating the broader property market. Buyers are looking for smaller and more viable sites as compared to large-scale high-rise sites thus, indicating the demand for apartments to remain stable. Stellar population growth, strong market fundamentals and continued economic growth will fuel the market going forward for Gold Coast over the medium-term. The Federal Government's First Home Loan Deposit Scheme, launched 1 January 2020, which specifies the city as a 'regional centre' is expected to assist in bringing new demand to the market.

The current COVID19 pandemic has negatively impacted many businesses not just in Australia but globally as well. Uncertainties in the market have not spared large businesses and defensive assets as COVID 19 has put significant pressure on their profitability and sustainability. With quarantine restrictions still in place (which is expected to run up to end of June) nationwide, negative impact is expected to continue. Small and medium businesses, unfortunately, have been hardly hit with many of them have been forced to stop operations temporarily or permanently. Quantum and extent of the impact of COVID 19 in the industry requires further assessment.

4 Overview of the Management Assets

4.1 Introduction

The Proposed Transaction covers three elements including:

- The caretaking of common property such as car parks, gardens, swimming pools, recreational areas, private boardwalk, etc. on behalf of the Body Corporate.
- The onsite letting of units in the community titles scheme.
- The ownership of lots in a community titles scheme where offices are located.

These elements, which collectively make up the Management Rights, are discussed in further details below.

4.2 Waterpoint Residences

Waterpoint Residences is located in the suburb of Biggera Waters in Queensland, approximately 200 metres east of the Harbour Town Shopping Centre and approximately six kilometres by road northwest of the Southport Central Business District. Waterpoint Residences, which is intended for permanent letting, is a five-tower, high-rise waterfront estate situated on a 2.7-hectare site. The Complex consists of two Manager's Lots and 662 apartments²³. Waterpoint Management Pty Ltd currently holds the management and letting rights on the Complex.

Waterpoint Residences' buildings²⁴ are clustered into precincts. Buildings A and B make up Precinct 1, Buildings D and E make up Precinct 2 and Building F comprises Precinct 3. Building G (the sixth tower), which has not been constructed yet, will eventually become part of Precinct 3. The Management Rights on the Building G²⁵ has been excluded in the valuation prepared by Australian Valuers. Accordingly, this will not be part of the Proposed Transaction.

Below is a summary of development statistics on Waterpoint Residences.

	Precinct 1		Precinct 2		Precinct 3	Total
	Building A	Building B	Building D	Building E	Building F	
Area (m2)		7,347		7,484	6,235	21,066
Number of units	117	122	130	150	143	662
Number of offices	1	-	-	1	-	2
Number of storeys	14	13	14	14	14	nm
Number of beds	312	293	312	326	403	1,646

Source: Management information

²³ Accounting for the Manager's Lots, there are 664 units in the Complex.

²⁴ In the context of this Report, building and tower are used interchangeably.

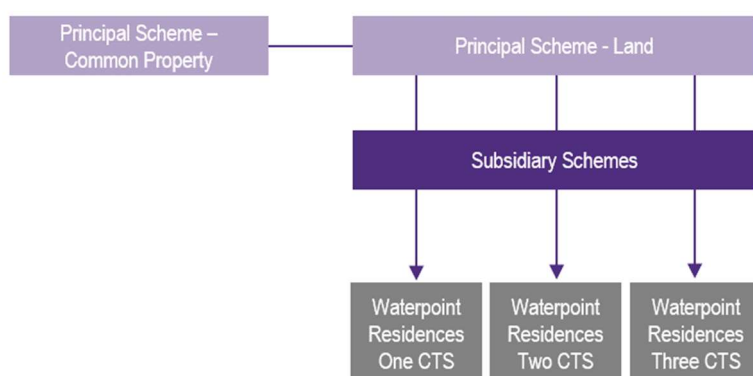
²⁵ According to management, approval has already been granted on the construction of Tower G which is expected to house 100 units or a total of additional 300 beds. This building will become the first build-to-rent property to be developed by Waterpoint Management Pty Ltd.

The area (in square metres) of 7,347 covers both the Buildings A and B whilst the 7,484 covers both the Buildings D and E. The Complex is made up of one-, two- and three-bedroom units. There is also an option to purchase one of the marina berths.

According to Management, titles on the fifth building (i.e., Building F) were issued in late November 2019. Its construction was completed by end of 2019.

4.2.1 Titling Structure on Waterpoint Residences

The Complex incorporates four schemes (i.e., one principal and three subsidiary) as illustrated in the diagram below.



Source: Outline of Management Assets Report prepared by SPG Lawyers

- **Common property** – Principal Scheme which relates to Waterpoint Residences Principal Community Title Scheme (“CTS”)
- **Scheme Land** – this includes two subsidiary schemes, two common properties and two development lots
- The Principal Scheme – Land is intended to be subdivided to carve out Lots 31 and 32 in order to create a third subsidiary scheme (with common property and development lot).

Scheme Land

Waterpoint Residences One

This body corporate holds the survey plans 279571 and 283744. Lot 1 on survey plan 279571 is owned and managed by Waterpoint Residences Pty Ltd. Towers A and B are managed by this body corporate.

Waterpoint Residences Two

This body corporate holds the survey plans 288467 and 294556. Lot 2 on survey plan 294556 is owned by HS4 Pty Ltd and is used as an office area. Acquiring this land from HS4 Pty Ltd is part of the Proposed Transaction.

Towers D and E are managed by this body corporate.

Waterpoint Residences Three

This Body Corporate manages Tower F. As earlier discussed, Tower G will eventually be under this body corporate.

Lot 32 on survey plan 288486 is intended for future development.

Land outside of the Scheme

This relates to the marina areas that are adjacent to, but outside the Scheme Land. The marina is under three leases granted to Waterpoint Management Pty Ltd, each of which is subject to six separate sub-leases (i.e., 18 sub-leases in total). These sub-leases are progressively being transferred / sold to purchasers.

Awaiting on the State government to amend the lease, we understand the current marina leases will eventually increase to 36 sub-leases.

4.3 On – site management rights on Waterpoint Residences

This section discusses the caretaking and letting arrangements on Waterpoint Residences, which take into account the total number of units in the Complex as summarised below.

	Office	Units	Total	%
Owner occupied	-	371	371	55.9%
Permanent letting - Buildings A, B, D and E	-	192	192	28.9%
Permanent letting - Building F	-	24	24	3.6%
Self-managed / externally managed	-	45	45	6.8%
Unsold units	-	30	30	4.5%
Manager's office	2	-	2	0.3%
Total	2	662	664	100.0%

Source: The Valuation Report

Note (1) The unsold units are based on the Verification Report prepared by Managed Right Tax and Business Advisors dated 19 December 2019

The caretaking agreements deal with all the 664 units. Common facilities in the Complex include gatehouse, car park, landscaped grounds, swimming pools, steam room, sauna, gymnasium, lounge, theatre, barbecue and recreational areas and private boardwalk.

The letting agreements deal with 192 long-term let units in Buildings A, B, D and E and 24 units in Building F that are expected to join the letting pool. For the purpose of calculating the maintainable level of

earnings as an input to the valuation of the Management Rights, actual and projected²⁶ results were taken into consideration by the accountant who prepared the Verification report.

From the Valuation Report, the Management Rights are valued between \$6.9 million and \$7.3 million. Based on the Peer review letter, the valuation of the Management Rights was reduced to \$5.9 million.

The following entities are involved in the on-site management of the Waterpoint Residences.

Waterpoint Management Pty Ltd

Waterpoint Management Pty Ltd is a party to five caretaking and three letting agreements, including their respective deeds of variation. The table below summarises the Management Agreements on Waterpoint Residences and their key features.

Body corporate	Covered structures	Agreements in place	Effective date		Option (in years)
			Start	End	
Principal Scheme	Marina	Caretaking agreement	16-Dec-15	15-Dec-30	10
		Caretaking agreement	20-Aug-19	15-Dec-30	10
Waterpoint Residences One	Precinct 1: Buildings A and B	Caretaking agreement	16-Dec-15	15-Dec-30	10
		Letting agreement	16-Dec-15	15-Dec-30	10
Waterpoint Residences Two	Precinct 2: Buildings D and E	Caretaking agreement	11-Aug-17	10-Aug-32	10
		Letting agreement	11-Aug-17	10-Aug-32	10
Waterpoint Residences Three	Precinct 3: Building F	Caretaking agreement	26-Nov-19	25-Nov-34	10
		Letting agreement	26-Nov-19	25-Nov-34	10

Source: Management information, Caretaking and letting agreements and related variations

The caretaking agreement is between the Body Corporate and Waterpoint Management Pty Ltd to carry out the duties generally to common property as set out specifically in the agreements.

The letting agreement is between the Body Corporate and Waterpoint Management Pty Ltd. The Body Corporate grants Waterpoint Management Pty Ltd the right to erect signage to promote its letting services. The letting business is supported by a letting appointment, which is a contract between the lot owner / investor and Waterpoint Management Pty Ltd for the latter to provide property management services. The option is exercised by giving a written notice to the Body Corporate not later than three months prior to the expiration of the existing agreements.

A summary of the caretaking and letting agreements is in Appendix A.

Another set of caretaking and letting agreements will be executed shortly to deal with a portion of Waterpoint Residences that is about to be completed.

²⁶ This is for the period ending 30 September 2020.

4.3.1 Security and Gardening Contract

We understand that at the time of preparing the Valuation Report, the security and gardening contracts have not been finalised yet. Accordingly, they have not been included in the calculation of the net operating profit.

4.4 Manager's Lots

Waterpoint Residences One CTS consists of various lots and common property. Lot 1 in Building 1 (Lot 1 on SP 279571) is owned and managed by Waterpoint Residences Pty Ltd.

Waterpoint Residences Two CTS consists of various lots and common property as well. Lot 2 in Building 4 (Lot 2 on SP 294556) is owned by HS4 Pty Ltd.

The table below summarises Manager's lots in Waterpoint Residences and their key features.

	Manager's Lot 1	Manager's Lot 2
Subject asset	Waterpoint Residences One	Waterpoint Residences Two
Strata Plan (SP)	SP 279571	SP 294556
Location	Building 1	Building 4
Area	17 sqm	26 sqm
Owner	Waterpoint Management Pty Ltd	HS4 Pty Ltd
Description	Comprises of a functional office/reception lot with good exposure. There is a reception area, office area and rear office	Comprises a functional lot with good exposure. There is an office area and a storage room with no reception area.

Source: Management information, Management agreements

The two Manager's lots are valued separately. The Manager's Lot 1 is valued at \$70K whilst the Manager's Lot 2 is valued at \$90K.

4.5 Financial information

Basis of preparation

The forecast Profit & Loss statement has been prepared by Damien Moffrey of Managed Right Pty Ltd (the "Accountant") to support the Verification Report dated 19 December 2019. In preparing the 12-month forecast ending 30 September 2020, the Accountant has:

- Based its analysis on actual results for the 12-month period ended 31 August 2019 and projected results for the 12-month period ending 30 September 2020 prepared by Elkhorn Administration Pty Ltd²⁷ for the purpose of the Proposed Transaction.
- Extracted and adjusted the figures from Waterpoint Residences' books and records to establish compliance of the actual and projected results with generally accepted accounting principles.
- Considered compliance of the calculated net operating profit with the definition of the Real Estate Institute of Queensland being *"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 (in particular excluding depreciation, GST, borrowing expenses, interest on borrowings and any payment for labour-related work which would normally be performed by a two-person resident management team)"*.

Summarised Projected Profit & Loss Statement		Year ending 30-Sep-20	
In \$	Unadjusted Balance	Adjustments	Adjusted Balance
Body Corporate Revenue	1,061,290		1,061,290
Commission & Management Fees	242,822		242,822
Letting/Reletting Fees	82,942		82,942
Other	109,212	(69,281)	39,931
Gross revenue	1,496,266		1,426,985
Operating expenses	(278,987)	(37,956)	(316,943)
Net operating profit	1,217,279	(107,237)	1,110,042

Source: Managed Right Pty Ltd, The Valuation Report

Note: The adjustments above were proposed by Australian Valuer

In relation to the above Profit & Loss statement, we note the following:

- The main source of revenue for Waterpoint Residences is from the Caretaking agreement (Body Corporate revenue) which is also a stable source of revenue amounting to \$1,061,290 for the current year.
- The following key adjustments made by Australian Valuers are noted:
 - Cost of sales has been separated from operating expenses and shown separately amounting to \$65,291. Advertising income and expense was recorded separately which has been adjusted to make advertising income \$0 based on the assumption that advertising budget is expended in full with no net cost or benefit.

²⁷ An entity where James Raptis is a Director and a beneficial owner

- Insurance amounting to \$4,000 has been included by Australian Valuers in Operating Expenses based on Management assumptions.
- Actual levies and rates for Manager's office Lot 2 were provided for 2019 for which \$7,956 was adopted. This was not included previously apart from an expense relating to the main lot, which was assumed to be Lot 1.
- No rent expense was recorded for the on-site manager's residence. Based on the lease documents for Lot 1706 SP279571, \$26,000 was adopted in the Operating Expenses (or \$500 a week).
- The net operating income of \$1,110,042 then became the starting point of the valuation of the Management Rights. Please see Appendix C for the detailed valuation of the Management Rights.
- Due to uncertainties in the security and gardening contracts on the Complex, with contracts not finalised yet, Management indicated that they would not be included in the Proposed Transaction.
- The following adjustments to the net operating income have been made by PHV in its peer review of the Valuation Report:
 - Commission, management and letting / re-letting fees declined by approximately 22% as a result of a vacancy adjustment of eight (8) weeks as opposed to two (2) weeks assumed in the Valuation Report. PHV also adjusted the letting / re-letting fees by 50% on account of six (6) months prohibition on tenants to vacate a property in case of non-payment of rental obligations.
 - Operating expenses increased by 10% to reflect higher working costs and standard of cleaning required to prevent the spread of Covid-19.
- Please see Appendix D for the Peer review letter.

5 Sources of information, disclaimer and consents

5.1 Sources of information

In preparing this Report Grant Thornton Corporate Finance has used various sources of information, including:

- Notice of General Meeting;
- Explanatory Statement;
- Outline of Management Assets – Waterpoint Residences prepared by SPG Lawyers;
- Waterpoint Residences V brochures and marketing materials;
- PHV's Peer review letter;
- Australian Valuers Manager's Unit and Management & Letting Rights Valuation Report dated 15 January 2020;
- Caretaking agreement and related Deeds of variation on Waterpoint Residences One;
- Letting agreement and related Deeds of variation on Waterpoint Residences One;
- Caretaking agreement and related Deeds of variation on Waterpoint Residences Two;
- Letting agreement and related Deeds of variation on Waterpoint Residences Two;
- Caretaking agreement on Principal Scheme;
- Caretaking agreement on Marina;
- Draft Heads of agreement;
- Draft Management arrangements deed;
- Draft Loan facility deed;
- Draft New trust deed;
- Raptis Group website;
- Australian Bureau of Statistics;
- Reserve Bank of Australia;
- ASX announcements;
- Corelogic Media Release;
- Other publicly available information;

- IBISWorld Report;
- Queensland Market Monitor, 3Q 2019 issue; and
- Discussions with Malcolm Cory, Independent Director of Raptis Group; Ekaterina Ivandekova of Australian Valuers and Matthew Ian Brook of SPG Lawyers.

5.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this Report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to Raptis Group and all other parties involved in the Proposed Transaction with reference to the ASIC Regulatory Guide 112 “Independence of expert” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to Raptis Group, its shareholders and all other parties involved in the Proposed Transaction.

Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with Raptis Group or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance’s out-of-pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

5.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this Report on the basis of financial and other information provided by Raptis Group and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by Raptis Group and other experts through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our Report. Nothing in this Report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Raptis Group.

Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, disclaim all responsibility for Raptis Group's failure to inform us of any changes to any information and/or material which impacts upon the services we have agreed to provide. The Company must take all necessary steps to immediately correct any announcement, communication or document issued which contains, refers to, or is based upon such information.

This Report has been prepared to assist the Independent Director in advising Raptis Group Shareholders in relation to the Proposed Transaction. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is in the best interests of the Non-Associated Shareholders of the Company.

5.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this Report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to RPG Shareholders. Neither the whole nor part of this Report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.



Appendix A – Key terms and conditions of the Caretaking and Letting agreements

	Waterpoint Residences 1	Waterpoint Residences 2	Waterpoint Residences 3	Principal Scheme	Marina Areas
Caretaker	Waterpoint Management Pty Ltd				
Lot Owner	Carefort Pty Ltd	HS4 Pty Ltd	HS5 Pty Ltd	Waterpoint Management Pty Ltd	Waterpoint Management Pty Ltd
Contract term (in years)	15	15	15	15	15
Start date	16-Dec-15	11-Aug-17	26-Nov-19	16-Dec-16	16-Dec-16
End date	15-Dec-30	10-Aug-32	25-Nov-34	15-Dec-30	15-Dec-30
Option to renew (in years)	10	10	10	10	10
Annual fees	Caretaking: Number of registered lots in the Scheme multiplied by \$1,363.63 Letting: Variable rates Commission: 5% of rent collected Management Fee: 2.5% of rent collected Letting Commission: One weeks rent Renewal Fee: One half of one weeks rent Miscellaneous, inclusive of but not limited to: Administrative expenses of \$5 per month	Caretaking: Number of registered lots in the Scheme multiplied by \$1,454.55 Letting: Variable rates Commission: 5% of rent collected Management Fee: 2.5% of rent collected Letting Commission: One weeks rent Renewal Fee: One half of one weeks rent Miscellaneous, inclusive of but not limited to: Administrative expenses of \$5 per month	Caretaking: Number of registered lots in the Scheme multiplied by \$1,600. Letting: Variable rates Commission: 5% of rent collected Management Fee: 2.5% of rent collected Letting Commission: One weeks rent Renewal Fee: One half of one weeks rent Miscellaneous, inclusive of but not limited to: Administrative expenses of \$5 per month	Annual remuneration for the first year is calculated by multiplying the number of registered lots in the Waterpoint Residences Development by \$100.	Annual remuneration for the first year of the Term in \$5,400 plus GST.
Fees payment	Monthly in arrears	Monthly in arrears	Monthly in arrears	Monthly in arrears	Monthly in arrears
Manager's Unit	The Caretaker or the Caretaker's Nominee or the Caretaker's Appointee must reside in a lot in the "Waterpoint Residences".				
Scope of work	Caretaking: Maintaining the Property as defined in the Agreement. This includes cleaning and grounds maintenance on a daily, weekly and monthly (and as required) basis covering the main foyers, all lobbies on all levels, lifts, garbage chutes, barbecue area, grounds, pool, car park, foot paths and access roads, garbage bin area and all other facilities areas. It is also the responsibility of the care taker to take and keep bookings in respect of use of the facilities. Letting: Responsibilities include securing, negotiating or enforcing (including the collection of rents and tariffs) leases or other occupancies of Lots in the Scheme				
Provision for fee increase	Annually at each anniversary date to bring the fees whichever is higher between the annual remuneration in the preceding year and the annual remuneration in the preceding year increased in proportion to any increase in the index				
Assignment	The agreement may be assigned (in writing) subject to the prior approval of the Body Corporate Committee. This can be triggered by any change in directors of the caretaker-corporation or any change in the shareholding of the caretaker-corporation.				

Appendix B – Glossary

Abbreviation	Definition
\$	Australian Dollar
ABS	Australian Bureau of Statistics
Accountant, the	Damien Moffrey of Managed Right Pty Ltd
ADIs	Authorised Deposit-Taking Institutions
APES 225	Professional Standard APES 225 Valuation Services
APRA	Australian Prudential Regulatory Authority
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
c.	Circa
CAGR	Compounded Annual Growth Rate
CBD	Central Business District
Consideration, the	Proposed consideration amounting to \$6.01 million
Corporations Act	Corporations Act 2001
CTS	Community Title Scheme
Current Trust, the	The Original Waterpoint Management Trust
Development, the or the Complex	Waterpoint Residences
FSG	Financial Services Guide
FY	Financial Year
GDP	Gross Domestic Product
GFC	Global Financial Crisis
Grant Thornton Corporate Finance or GTCF	Grant Thornton Corporate Finance Pty Limited
GSP	Gross State Product
GST	Goods and Services Tax
IER or Report, the	Independent Expert's Report
Independent Director	A director with no beneficial interest in the Management Assets and referring to Mr Malcolm Cory
IVSC	The International Valuation Standards Council
K	Thousand
Management Assets, the	Subject of the Proposed Transaction
Management Rights, the	The rights in each caretaking agreement and letting agreement and any variation of them
New Trust, the	Waterpoint Management Trust
NOP	Net Operating Profit
Peer review letter, the	Letter issued by PHV dated 31 March 2020
PHV	Property and Hospitality Valuations Pty Ltd
Proposed Transaction, the	RPG acquiring the Management Assets as well as Lot 2 at Waterpoint Residences
QLD	Queensland
RBA	Reserve Bank of Australia
Related Party, the	James and Helen Raptis
RG	Regulatory Guide
ROI	Return on Investment
RPG or Raptis Group or the Company	Raptis Property Group
RPP Index	Residential Property Price Index
SFD	State Final Demand
Substantial Asset, the	Value of asset or the consideration is 5% or more of the equity interest of the entity as set out in the latest financial statements
Substantial Holder, the	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.
Valuation Date, the	15 January 2020
Valuation Report, the	Australian Valuers' valuation report

Appendix C – Valuation of the Management Assets and the Lot 2

LOCATION:

“WATERPOINT RESIDENCES”, LOT 1 AND LOT 2 AT
5 HARBOUR SIDE COURT, BIGGERA WATERS, QLD,
4216

DATE OF REPORT:

15 JANUARY 2020

PREPARED FOR:

This report has been prepared for the sole and exclusive use of Raptis Group Limited and Grant Thornton Corporate Finance 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.



AUSTRALIAN
VALUERS

MANAGER'S LOTS AND
MANAGEMENT & LETTING RIGHTS VALUATION REPORT

www.australianvaluers.com.au

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1. BRIEF SUMMARY



Name	Waterpoint Residences	Manager's Lots Value Combined	\$160,000	
Address	1 & 2/5 Harbour Side Court, Biggera Waters, QLD, 4216	M&L Rights Value	\$6,990,000	
		Total Value	\$7,150,000	
Type	Unit Complex	Valuation Date	15 January 2020	
Build Date	2015-2019, staged development	NOP	/Unit Let	\$1,110,041 \$5,781
Units Let	192 (1-4) (29%)	BC Salary	/Total Lot	\$1,061,290 \$1,603
Total Lots	662	NOP Ex BCS	/Unit Let	\$48,751 \$254
Use	Permanent Letting	Multiplier	6.30 times	
Agreements	21, 21, 23 & 25 years to run	Return On Investment	16%	
Regulation Module	Accommodation	Business Type	Semi-Established	

The "Waterpoint Residences" comprises a modern high-rise waterfront complex, located within the established residential suburb of Biggera Waters. It is a large project on a 2.7 hectare site. The complex is situated on the eastern side of Oxley Drive, which carries a high amount of traffic, and is accessible via Harbour Side Court. Surrounding development includes Harbour Town Shopping Centre, tavern, "Harbourside Gardens Retirement Village", low-rise resort complexes situated along Brisbane Road, proposed development site adjoining the subject complex to the north, dwellings of various age and presentation. The complex has been developed by "Raptis" property group.

The development incorporates four Schemes: Principal and three Subsidiary. There are four completed buildings (Buildings 1, 2, 3 & 4), and one which was recently completed (Building 5). There is another building planned, but this building does not form part of our valuation (Building 6).

The complex is made up of 1, 2 and 3 bedroom units, and is considered to be an attractive investment for both investors and owner occupiers. There is an option to purchase one of the marina berths. The majority of units have panoramic views towards the Broadwater across the residential suburbia.

The business is made up of 192 long term let units in buildings 1-4, 45 self/externally managed units, 395 owner occupied units, 30 unsold units in Building 5 and two Manager's Lots. The Accountant's Report is based on actual and projected figures. The Accountant included no projected income from let units in Building 5 in the P&L.

"Waterpoint Management Pty Ltd" rents out a unit within the complex for the on-site Manager to reside in. There is no Manager's Unit to value. There are two Manager's Office Lots to value. Lot 1 is situated in Building 1 and Lot 2 is situated in Building 4.

Common facilities include: Secured entry and on-site gatehouse, underground car park, visitor's car parking, landscaped grounds, indoor heated swimming pool, steam room, sauna, gymnasium, lounge, theatre, games room, two outdoor saltwater swimming pools, three barbeque and recreational areas, private waterfront boardwalk.

1.1 KEY NOTATIONS

1. The Manager's Lots and Management & Letting Rights business is being valued for the sole and exclusive use of Raptis Group Limited and Grant Thornton Corporate Finance 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 Manager's Office Lots 1 & 2 and Management & Letting Rights business are not subject to any contracts of sale.
3. 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 Damien Moffrey of "Managed Right Pty Ltd" dated 19 December 2019 for the 12-month period ending 30 September 2020**. This is an amended report, replacing the original report dated 25 October 2019.

The Accountant prepared a P&L known as "Appendix A" and a P&L known as "Appendix B". By way of email dated 28 October 2019 Mr Malcolm Cory of "Raptis Group" has confirmed our instructions to use the P&L known as "Appendix A" for valuation purposes.

The Accountant made a following commentary regarding "Appendix A" in his report: *"We have extracted and adjusted the figures from the vendors' books and records to determine, according to normal accounting principles, and have incorporated the 12 months actual figures and projections to arrive at the net profit of the business for sales purposes for the year ending 30th September 2020 (presented in Appendix A) in accordance with Clause 12 [of the REIQ Standard Conditions of Sale] and the definition of net profit as outlined above"*.

4. In Appendix A, the Accountant arrives at a Net Operating Profit (NOP) of \$1,144,822.80. We understand that this P&L includes the actual figures for buildings 1 to 4 in the development. We note that Building 5 (also known as Building F or part of most recent precinct "Waterpoint Residences 3") was under construction during our original inspection on 8 October 2019 and recently completed during our inspection on 15 January 2020. The Reviewing Accountant has not included any income from letting services at Building 5. The building is proposed to have 143 units. Some of these units are likely to join the Manager's letting pool, which would increase the Net Operating Profit.

The Body Corporate remuneration from Building 5 is included in the figures.

5. The Accountant has noted that there was a total of 192 Letting Appointments in the Development, Buildings 1 - 4. The Accountant was able to review 192 Letting Appointments and we relied on summary of his findings. The Reviewing Accountant noted no major issues with the Appointments.

It is a critical assumption of this valuation that the letting component is made up of 192 valid and assignable letting appointments. Each letting appointment is between the individual lot owner and the on-site manager.

6. We have made the following adjustments to the “Appendix A” and P&L prepared by the Reviewing Accountant:
- We are unsure why the Accountant has combined the Operating Expenses with Cost of Sales in the P&L. In our report we have separated those categories based on our understanding of the business.
 - Advertising income was noted at \$3,990 in the Income section and Advertising/Marketing expense was noted at \$7,164 in Operating Expenses/Cost of Sales section. We have deducted \$3,174 to make advertising income \$0. The Managers ordinarily make some profit on this activity, however, as per industry expectations, it is assumed that advertising budget is expended in full with no net benefit or cost to the Manager.
 - The Accountant allocated no money for insurance. We have allocated \$4,000 for insurance in Operating Expenses. This is based on our conversation with Mr Malcolm Cory and Mr Oscar Bundai who confirmed the actual amount.
 - The Accountant allocated no money for levies and rates for the Manager’s Office Lots over and above a “main” lot (in the case of the subject development we assumed this to be Lot 1). We have been provided with copies of actual levies and rates for Manager’s Office Lot 2 for year 2019. We have adopted an amount of \$7,956 in the Operating Expenses.
 - The Accountant allocated no money for rent of the Manager’s Residence. Based on our readings of the management agreement, Body Corporate for each scheme requires the Manager or representative to reside in any unit within the development. We have been provided with copies of the front pages of the lease for Lot 1706 SP279571 which the business is renting for the on-site Manager. We have therefore adopted \$26,000 in the Operating Expenses (or \$500 per week).
7. We have not been provided with the copies of Security and Gardening Contracts between the Manager and the Body Corporate. We have been advised that these contracts are still being negotiated. We understand that the Reviewing Accountant does not include any projected income from Gardening and Security Contracts in the P&L.
8. **The adopted NOP of \$1,110,041 after adjustments** outlined above is made up of \$1,426,984 Gross Income and of \$316,943 Operating Expenses. The Gross income is made up of \$365,694 (or 26%) from the letting component and \$1,061,290 (or 74%) from the caretaking component.

The analysed market data supports the adopted NOP of \$1,110,041 therefore we have adopted the same for valuation purposes. It is a critical assumption that the subject complex is fully operational.

9. We understand that there are rental guarantees remaining in the Development (Buildings 1 – 4). The Reviewing Accountant noted that there are rental guarantees for the two apartments, expiring in 2020 and 2021 respectively. We are not advised of any further details of these rental guarantees. This is considered a very low risk to the business due to the number of rental guarantees remaining.

It is a critical assumption of this valuation that the Developer and not the Manager is responsible for the payment of rental guarantees which are in place or will be put in place in the complex.

Should market rents not reach Rental Guarantee payments at the end of the Rental Guarantee term, the Manager will need to communicate with the Lot Owner (Investor) that the Rental Guarantee payments are above market rent. There is a risk that upon expiry of the Rental Guarantee Agreements the unit owner may appoint an external manager in order to keep the rental return on the same level.

10. 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 **\$1,600/letting unit** (rounded) based on the adopted adjusted NOP, excluding the combined Body Corporate Salary, and adopted multiplier of 6.30 times. 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.
11. Building 5 ("Waterpoint Residences Three") was completed circa November 2019 and it was under construction during our original inspection on 8 October 2019. We have not been subsequently provided with the executed copies of the following documents. The valuation of the business is based upon unexecuted proposed Survey Plan, Community Management Statement, Caretaking Agreement and Letting Agreement for Building 5. 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.
12. It is a critical assumption of this valuation that the unsold units in Building 5 will be gradually sold to individual lot owners. We assume that the Developer will not hold onto any number of units for a prolonged period of time.
13. 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.
14. 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.
15. 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.
16. 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.
17. 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.
18. In reliance upon this report, we strongly suggest to the reader that the report be read in its entirety.

1.2 SWOT ANALYSIS

Strengths

- Established business providing long term rentals.
- Well-presented modern waterfront complex.
- Located opposite the Harbour Town Shopping Centre.
- Extensive and well-presented common facilities within a secure gated complex.
- High Net Operating Profit which increases the competition to purchase.
- Limited comparable competition in the immediate area.
- The complex offers a variety of accommodation options.
- 25 years to run on management agreements at Building 5 (“Waterpoint Residences 3”) which is advantageous to the business as management & letting rights business is a diminishing asset.
- 21, 21 and 23 years to run on management agreements for Principal and “Waterpoint Residences One” and “Waterpoint Residences Two” Schemes respectively, which is advantageous to the business as management & letting rights business is a diminishing asset.
- There are two office lots which is considered sufficient for operating of the business of such scale.

Weaknesses

- The Manager must negotiate the transfer of the business and the day to day running of the complex with four Bodies Corporate: “Waterpoint Residences One”, “Waterpoint Residences Two”, “Waterpoint Residences Three” and the Principal Scheme.
- There is a requirement for the on-site Manager to reside within the “Waterpoint Residences Development”. Mr Malcolm Cory advised us that the company rents out the unit in the complex for the Manager for \$500 per week or \$26,000 per annum, by way of email dated 28 October 2019.

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.
- There is an opportunity to significantly grow the letting pool as Building 5 has been recently completed. No projected letting pool units from Building 5 have been included in the figures by the Reviewing Accountant.
- An opportunity to acquire management & letting rights for Building 6. This stage has not commenced construction and does not form part of our valuation.
- Increase commission and management fees and charges for some of the letting pool units, as they fall to the lower end of industry benchmarks.

Threats

- Outside agents competing for current units let at competitive management fees and charges.
- Any potential issues which may be experienced by the Manager in dealing with the Body Corporate and/or individual unit owners within the complex.
- South East 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:		x				Recent Market Direction (price):			x		
Land (incl. Planning, title):		x				Market Volatility:			x		
Environmental Issues:			x			Local Economy Impact:		x			
Improvements:			x			Market Segment Conditions:			x		
*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:

Environmental Issues: The parent parcel is subject to a “Flood Assessment Required” overlay as identified by the City of the Gold Coast Council, with part of the site possibly being affected by flooding in extreme weather conditions.

Improvements:

Stage 5 was under constructions during our inspection. Should the property be sold prior to the completion of construction an amount less than the cost of construction is likely to be realised.

Recent Market Direction (price)

The Gold Coast management rights market has experienced a strong uptrend in buyer activity and considered to reach its peak in 2017, with many investors viewing it as a less volatile market compared to Brisbane. The market had plateaued and remained stable during 2018, slowing down a bit towards the end of 2018. First half of 2019 has seen very low transaction volumes, however, towards mid-2019 a higher number of transactions have been reported by agents.

Historically high multipliers continue to be paid for high netting businesses in advantageous locations, which are viewed as scarce product. Vendors expectations for such assets remain high.

We observed that some of the Asian purchasers are moving from Brisbane to the Gold Coast area, which has seen an increase of transactions for large long term let businesses during mid-2019.

In the event of future interest rate increases or an unforeseen significant economic occurrence, there may be a downward readjustment of multipliers. Given our outlook on the current market, we would recommend caution be exercised.

Market Volatility

The market has been performing at levels considered to be at the top of the cycle. If economic and real estate market conditions deteriorate in the future, then the market value of this asset may decline.

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.

Instructed By

Mr Malcolm Cory c/o "Raptis Group Limited".

Instructions

The Manager's Office Lots 1 & 2 and Management & Letting Rights business have been valued as at 15 January 2020. This report has been prepared for the sole and exclusive use of Raptis Group Limited and Grant Thornton Corporate Finance 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.

Previous Sale

New Development.

Real Property Description

Manager's Lot: Lot 1 SP279571.

Manager's Lot: Lot 2 SP294556.

Registered Owner

Manager's Lot: Lot 1 – Waterpoint Management Pty Ltd.

Manager's Lot: Lot 2 – HS 4 Pty Ltd.

Management & Letting Rights Business: Waterpoint Management Pty Ltd.

Suitability As Security

Intentionally Deleted.

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.

Prepared by:- AUSTRALIAN VALUERS



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

2. INTRODUCTION

2.1 SUBJECT PROPERTY

"Waterpoint Residences", 5 Harbour Side Court, Biggera Waters, QLD, 4216.

2.2 DATE OF INSPECTION AND VALUATION

15 January 2020.

2.3 INSTRUCTIONS

We refer to instructions issued by **Mr Malcolm Cory c/o "Raptis Group Limited"** requesting us to provide our opinion of market values of the Manager's Lots and the Management & Letting Rights business for **Internal Reporting** purposes.

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

CURRENT TITLE SEARCH

NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 33094420

Search Date: 23/01/2020 12:56

Title Reference: 51016848

Date Created: 04/12/2015

Previous Title: 51015282

REGISTERED OWNER

Dealing No: 717912037 22/03/2017

WATERPOINT MANAGEMENT PTY LTD A.C.N. 609 494 653

ESTATE AND LAND

Estate in Fee Simple

LOT 1 SURVEY PLAN 279571
Local Government: GOLD COAST
COMMUNITY MANAGEMENT STATEMENT 48064
COMMUNITY MANAGEMENT STATEMENT 47412

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by
Deed of Grant No. 11503058 (POR 24V)

ADMINISTRATIVE ADVICES - NIL

UNREGISTERED DEALINGS - NIL

** End of Current Title Search **

COPYRIGHT THE STATE OF QUEENSLAND (NATURAL RESOURCES, MINES AND ENERGY) [2020]
Requested By: D-ENQ CREDIT WORKS AUSTRALIA

CURRENT TITLE SEARCH

NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 33094453

Search Date: 23/01/2020 12:58

Title Reference: 51156637

Date Created: 27/08/2018

Previous Title: 51143037

REGISTERED OWNER

Dealing No: 718940339 21/08/2018

HS 4 PTY LTD A.C.N. 169 016 746

ESTATE AND LAND

Estate in Fee Simple

LOT 2 SURVEY PLAN 294556
Local Government: GOLD COAST
COMMUNITY MANAGEMENT STATEMENT 50419
COMMUNITY MANAGEMENT STATEMENT 47412

EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by
Deed of Grant No. 11503058 (POR 24V)

ADMINISTRATIVE ADVICES - NIL

UNREGISTERED DEALINGS - NIL

** End of Current Title Search **

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2.9 LOCATION

Distance from Southport CBD:	6.6 kilometres south-east
Distance from Gold Coast Airport:	11 kilometres south-east

The “Waterpoint Residences” comprises a modern high-rise waterfront complex, located within the established residential suburb of Biggera Waters. Biggera Waters is a waterside northern suburb of the Gold Coast located on the western side of the Broadwater. The complex is situated on the eastern side of Oxley Drive, which carries a high amount of traffic, and is accessible via Harbour Side Court.

Surrounding development includes Harbour Town Shopping Centre, tavern, “Harbourside Gardens Retirement Village”, low-rise resort complexes situated along Brisbane Road, proposed development site adjoining the subject complex to the north, dwellings of various age and presentation. Biggera Waters State School is situated approximately 2.3 kilometres north-east.

Local bus services operate along Gold Coast Highway, the nearest stop is approximately 650 metres south-west of the subject complex. Helensvale train station is situated approximately 6.5 kilometres west of the subject complex. Helensvale Station has trains that travel north through to Brisbane Airport and south through to Varsity lakes.

The proposed waterfront development site adjacent the subject complex to the north is known as 564 Oxley Drive and is owned by “Lewis Land Group Pty Ltd”. We do not have any information as to what is proposed to be developed there. The site is zoned Medium Density Residential. New apartment buildings would be in a direct competition with the subject complex letting business.



Pricefinder Maps



© Google Maps

2.10 PARENT PARCEL LAND DESCRIPTION AND SERVICES

Land Area:	2.7 Ha
Description:	Irregular in shape with good building contours.
Services:	Water, sewerage, gas, electricity and telephone are connected to the complex.
Vehicle Access:	Via Harbour Side Court.
Local Authority:	City of Gold Coast.
Classification/Zoning:	Medium Density Residential under City Plan 2016.
Current Business Use:	Permanent Letting.
Town Planning	The subject business use appears to comply with the current zoning.

Flooding

The parent parcel is subject to a “Flood” overlay as identified by the City of Gold Coast Council, with part of the site possibly being affected by flooding in extreme weather conditions. This issue should have been dealt with within the development application and approvals process by Council. If you have further enquiries in this regard we recommend that you obtain a formal flood search.



Source: City Plan – Overlays – Flood – Flood Assessment Required

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.
- 2 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.
- 5 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.
- 6 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.
- 8 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.
- 10 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 **This Report is for the use only of the party/s to which it is addressed for Internal Reporting 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.
- 12 Limited Liability Scheme - Liability limited by a scheme approved under Professional Standards Legislation.
- 13 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.
- 15 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.
- 16 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 \$1,110,041 and a minimum of 192 units in the letting pool.

3. COMPLEX DESCRIPTION

Type

The “Waterpoint Residences” comprises a modern high-rise waterfront complex, located within the established residential suburb of Biggera Waters. The complex has been developed by “Raptis” property group, who retains management and letting rights

Age

Circa 2018.

Construction

Floors:

Concrete

External Walls:

Render on masonry

Internal Walls:

Render on masonry and plasterboard

Window Frames:

Aluminium

Common facilities

Secured entry and on-site gatehouse, underground car park, visitor’s car parking, landscaped grounds, indoor heated swimming pool, steam room, sauna, gymnasium, lounge, theatre, games room, two outdoor saltwater swimming pools, three barbeque and recreational areas, private waterfront boardwalk.

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 subject complex has been subject to a continuing maintenance program and presents in a good condition overall.

Presentation of the letting pool

We inspected a sample unit in Stage 5 (recently completed) which was in a good condition in line with market expectations for similar properties. Refer to photos.



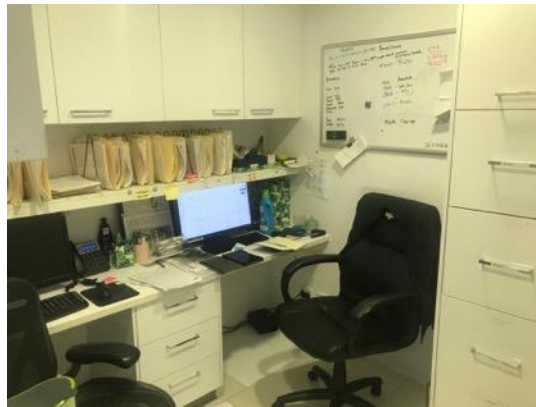
Entry & Gatehouse



Entry to buildings 1 & 2



Lobby & Reception in building 1



Office in building 1 (Manager's Lot 1)



Lobby in building 1



Lobby in building 2



Swimming pool



Recreational area



Access to marinas



Swimming pool



Swimming pool



View from the recreational area



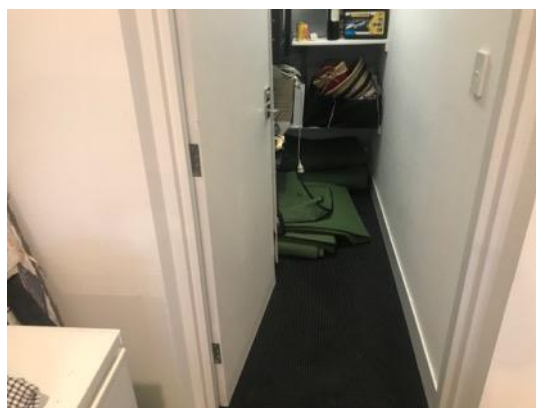
Barbeque area



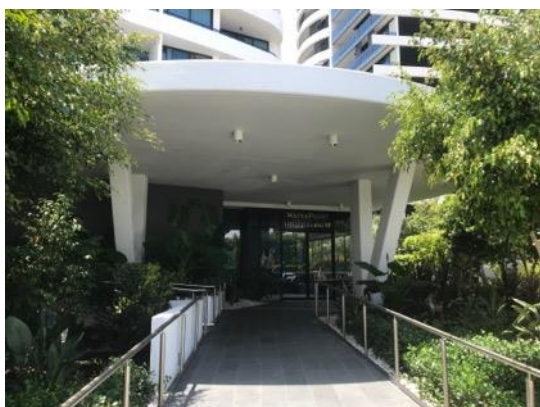
Lobby in building 4



Office in building 4 (Manager's Lot 2)



Office storage room (Manager's Lot 2)



Entry to Lifestyle Centre



Gymnasium



Theatre



Indoor swimming pool



Lounge



Entry to Building 5



Building 5



Building 5 recreational facilities



Building 5 recreational facilities



Sample unit 5203

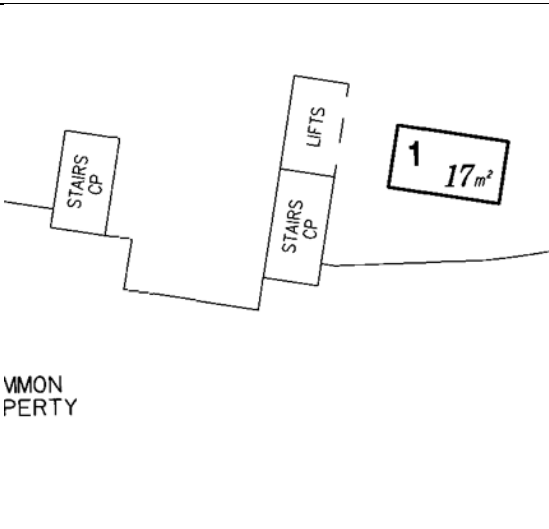
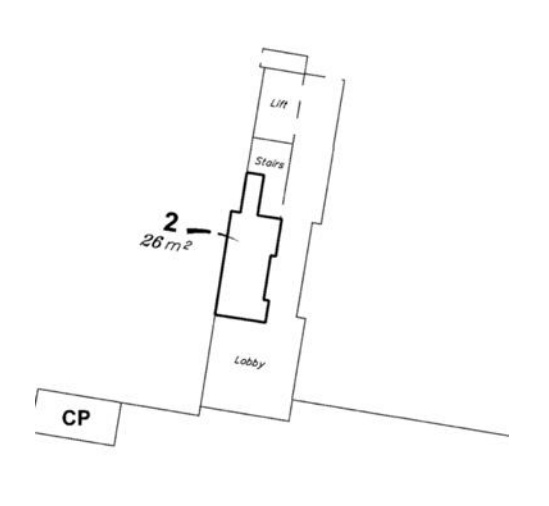
4. MANAGER'S LOTS DESCRIPTION

Type

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.

	
Lot 1 in Building 1	Lot 1 in Building 1
	
Lot 2 in Building 4	Lot 2 in Building 4

Exclusive Use Areas

- There appear to be no exclusive use areas noted in the respective Community Management Statements for each Scheme, allocated to Lots 1 or 2.

4.1 MANAGER'S LOT COMMENTARY

State of the Market

Given the use to which the Manager's Lot is put, sales of Manager's Lots have been utilised as they are sold in conjunction with the Management & Letting Rights.

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.

Overall, it is considered that the market for the Manager's Lots has generally improved over last two years. The Purchasers of management rights are 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.

4.2 SALES EVIDENCE – MANAGERS OFFICE & ANCILLARY AREAS

Overall, there is limited evidence of recent sales of Manager's Office and Ancillary Lots on the Gold Coast.

Address	Sale Price	Sale Date	On-title area (m ²)	Analysis/m ²
Lot 7, "The Mediterranean", 220 The Esplanade, Burleigh Heads	\$57,000	Oct-17	9	\$6,333

The "Mediterranean Towers" is an Esplanade front complex. The business provides short term accommodation. Lot 7 comprises a reception area, which is detached from the Manager's Unit (Lot 6). Both Manager's Unit and Manager's Reception are situated on the same level. Built in 1996. *This is an older sale but the market for Manager's Office Lots and Ancillary Lots remained about the same.*

Comparison to the subject: Significantly smaller on-title area, inferior age of improvements and presentation. Overall, **inferior**.

Lots 2001 and 3022, "South Lakes", 397 Christine Avenue, Varsity Lakes	\$80,000 \$80,000	Mar-19	28 28	\$2,857 \$2,857
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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 with is on-title to the Manager's Residence.

Comparison to the subject: Comparable age of improvements, comparable on-title area comparing to subject lot 2, slightly larger on-title area comparing to subject lot 1. Inferior functionality, as there is another "main" office attached to the Manager's Residence. Overall, **slightly inferior**.

"Atmosphere at Ashmore", 104/1 Hart Street, Ashmore	\$100,000	Sep-18	45	\$2,222
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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, comparable age of improvements, comparable functionality, inferior location. Overall, **at or about**.

Lot 1010, "Vue Apartments", 92-100 Quay Street, Brisbane	\$165,000	Apr-19	40	\$4,125
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'Vue Apartments' complexes comprise two high rise residential buildings and a low rise residential building. The business provides long term accommodation. There is a total of 186 units in the buildings. The Manager's Office/Reception is located on the ground floor and adjoins the Manager's Unit. The lot includes a separate entry from the foyer and reception counter. The on-title area is 40 sqm. Built circa 2006.

Comparison to the subject: Larger on-title area, inferior age of improvements, comparable functionality, superior location to Brisbane City. Overall, **superior**.

Lot 2111, "Ephraim Island", 2 Ephraim Island, Paradise Point	\$215,000	Jan-17	170	\$1,265
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The lot is situated in a large modern waterfront development. The lot comprises two detached functional office/reception areas which are located to buildings 2 (ground level) and 3 (ground and upper level). The area located to building 2 is used as a main office/reception and incorporates reception area, three back offices, kitchenette and a toilet. Office area located to building 3 is used as a storage room. Built circa 2008. *This is an older sale but the market for Manager's Office Lots and Ancillary Lots remained about the same.*

Comparison to the subject: Significantly larger on-title area, inferior age of improvements. Overall, **superior**.

4.3 MANAGER'S UNITS RATIONALE

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 lots each have a following market value:

We have adopted a value of **\$70,000** for Lot 1 of 17 sqm.

We have adopted a value of **\$90,000** for Lot 2 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 \$1,265/m² and \$6,333/m². The subject Manager's Lot (Lot 1) reflects \$4,118/m² and Manager's Lot (Lot 2) reflects \$3,462/m². Both figures are within and supported by the body of analysed sales.

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.

Complex Overview



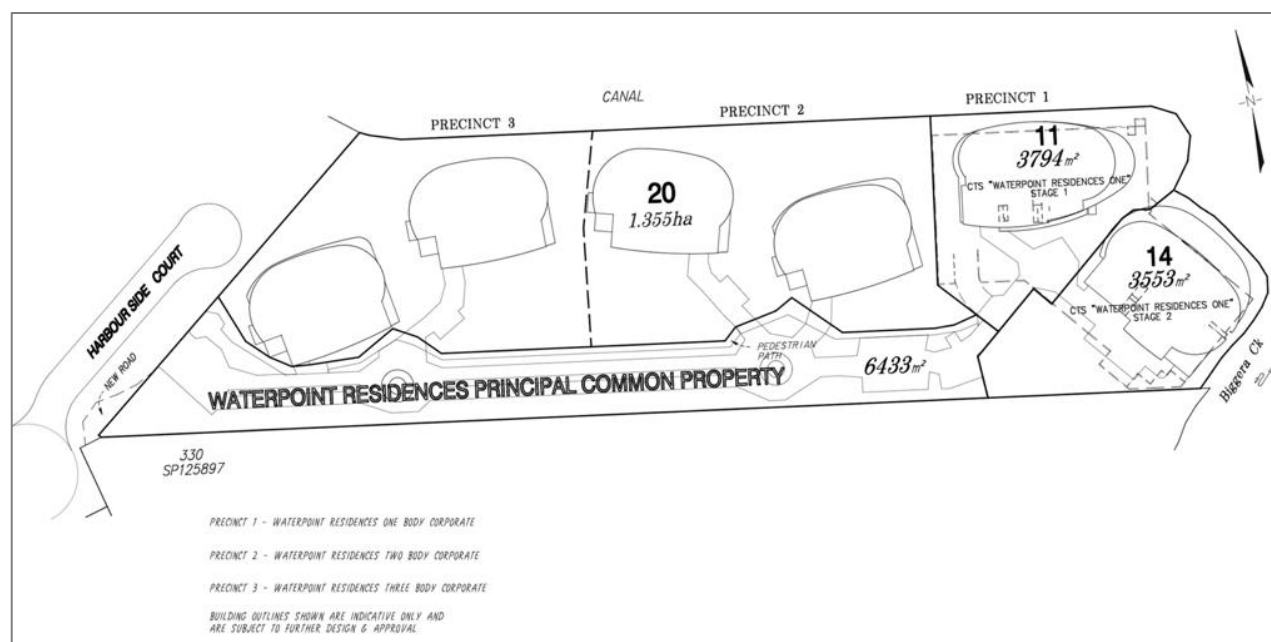
Source: <http://www.waterpointresidences.com.au> – Artist Impression

Based on our understanding, the complex incorporates 5 buildings as at the date of our valuation. We note that during our inspection, Building 5 was under construction, and it is proposed to be registered by the end of November 2019.

There are 4 Body Corporate Schemes: Principal (which also looks after marina berths) and three Subsidiary Schemes.

- Buildings 1 & 2 form Subsidiary Scheme N1 known as “Waterpoint Residences One”;
- Buildings 3 & 4 form Subsidiary Scheme N2 known as “Waterpoint Residences Two”;
- Building 5 forms Subsidiary Scheme N3 known as “Waterpoint Residences Three”.

We also note that balance of the Development will be comprised of Building 6 (Lot 32 on SP288486). We have not been provided with any documentation regarding this proposed development and it does not form part of our valuation.



Plan of the "Waterpoint Residences Development" outlining 3 precincts

We have been provided with the following documents:

Principal Scheme

1. Caretaking Agreement, dated 16 December 2015;
2. Deeds of Variation, dated 2 December 2016 (Manager as Trustee); 12 September 2016 (Caretaker's Nominee).
3. Caretaking Agreement – Marina Areas, dated 20 August 2019.

The Agreement engages the Caretaker on generally the same terms and conditions as the main Caretaking Agreement. The duties are predominately "supervisory" but include: On a daily basis, clear the surrounds of rubbish and empty the rubbish bins; On a weekly basis, wipe or dust the fire hose equipment and hose down or blower vacuum the marina berths etc.

Waterpoint Residences One (Buildings 1 & 2)

1. Caretaking Agreement, dated 16 December 2015;
2. Letting Agreement, dated 16 December 2015;
3. Deeds of Variation, dated 12 September 2016 (Caretaker's Nominee); 2 December 2016 (Occupational Authority).

Waterpoint Residences Two (Buildings 3 & 4)

1. Caretaking Agreement, dated 18 September 2017;
2. Letting Agreement, dated 18 September 2017;
3. Deeds of Variation, dated 15 October 2018 (Caretaker's Lot);
4. Lot Owner Deed, dated 16 October 2018.

Waterpoint Residences Three (Buildings 5 & 6)

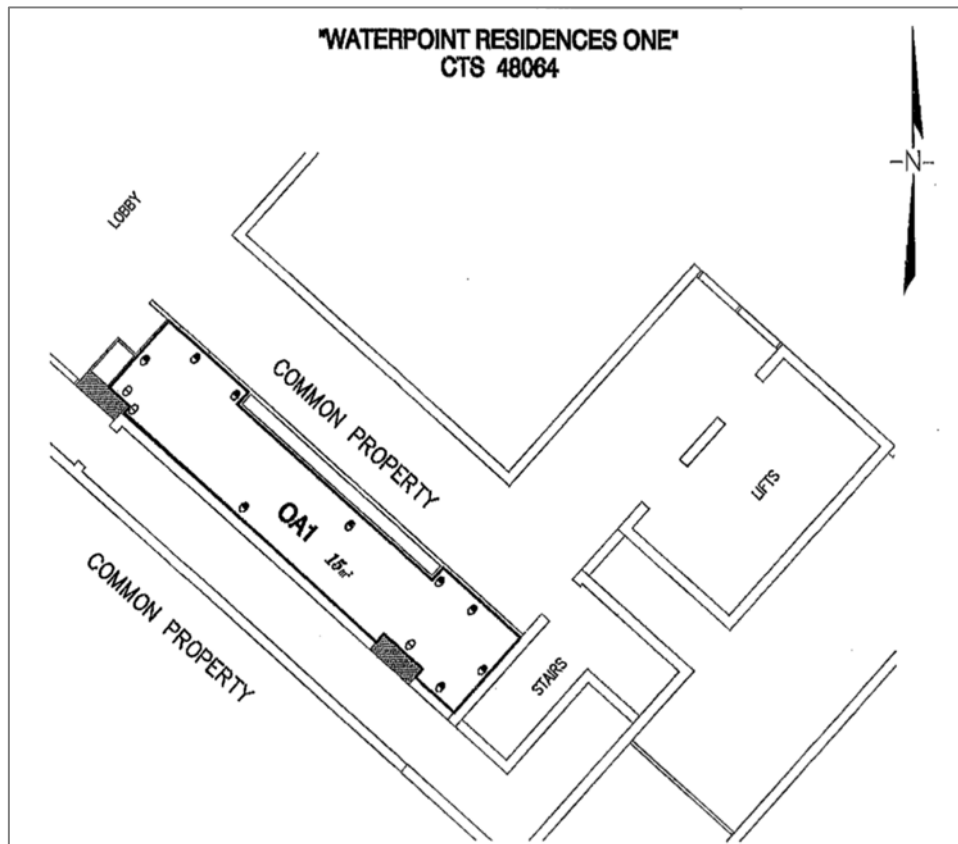
Note: Building 6 has not commenced construction and does not form part of our valuation.

1. Proposed Caretaking Agreement, undated & unsigned.
2. Proposed Letting Agreement, undated & unsigned.

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.

	Principal	WR 1	WR2	WR3
CTS	CTS 47412	CTS 48064	CTS 50419	To be registered
Module	Accommodation	Accommodation	Accommodation	Accommodation
Caretaker	Waterpoint Management Pty Ltd			
Agent's Lot Owner	Nil.	Carefort Pty Ltd	HS 4 Pty Ltd	Unknown
Commencement Date	16-Dec-15	16-Dec-15	11-Aug-17	Unknown
Original Term	15	15	15	15
Option/s	1 x 10 years	1 x 10 years	1 x 10 years	1 x 10 years
Expiry Date*	15-Dec-40	15-Dec-40	10-Aug-42	Unknown
Balance Term*	21	21	23	25
Reviews	CPI	CPI	CPI	CPI
Manager's Unit	The Caretaker or the Caretaker's Nominee or Caretaker's Appointee must reside in a lot in the "Waterpoint Residences Development".			
Manager's Lot	Lot 1 in "WR 1"; Lot 2 in "WR 2".			
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.			
Duties	Set in Clause 4. The duties are "supervisory". The duties in relation to Marina Areas are predominately "supervisory".	Set in Clause 4 and Schedule B (Work Schedule) of the Service Contractor and Letting Agreement for each scheme. 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.		
Occupational Authority	"WR 1" - Plan (Annexure "A").			
*Note: Assuming all options are exercised.				

Plan of occupational authority area attached to the Deed of Variation, dated 2 December 2016, for "Waterpoint Residences One". It appears to be a storage area of 15 sqm at the ground level.



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

Based on the Reviewing Accountant's report, we comment as follows:

Form Type	No. of Forms	%
PO Form 6	192	100%
	192	100%

Status	No. of Forms	%
Reported as signed & assignable	192	100%
	192	100%

The Accountant has noted that there was a total of **192 Letting Appointments** in the Development, Buildings 1 - 4. The Accountant was able to review 192 out of 192 Letting Appointments and we relied on summary of his findings.

The Reviewing Accountant noted no major issues with the Appointments. It is a critical assumption of this valuation that the letting component is made up of 192 valid and assignable letting appointments.

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

GST Exclusive

- Commission: 3.00% - 5.00% of rent collected.
- Management Fee: 0% - 2.5% of rent collected.
- Letting commission: One weeks rent (*majority*).
- Renewal fee: One half of one weeks rent (*majority*).
- Miscellaneous, inclusive of but not limited to:
 - Administrative Expenses: \$5.00 per month.

Overall, we consider the fees and charges to be in line with industry expectations, albeit at the lower end of the range principally due to commission and management fee. Typically, combined commission and management fee ranges between 7.0% and 8.0%.

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.

The table below includes 143 units from Building 5 (under construction).

Unit Configuration	Office	1 Bed	2 Bed	3 Bed	TOTAL	%
Permanent Let - Buildings 1-4		7	110	75	192	29%
Permanent Let - Building 5		0	0	0	0	0%
Self/Externally Managed		1	31	13	45	7%
Owner Occupied		20	283	90	393	59%
Unsold/Developer's Stock (Building 5)			30		30	5%
Manager's Office	2				2	0%
Total Units	2	28	454	178	662	100%

Based on the above configuration it appears that there is an opportunity to increase the letting pool 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.

There is also an opportunity to significantly increase the letting pool on completion of Building 5.

Multiple Ownership

Based on CoreLogic RP Data records there is no significant multiple ownership within the complex.

It is a critical assumption of this valuation that the unsold units in Building 5 will be gradually sold to individual lot owners. We assume that the Developer will not hold onto any number of units for a prolonged period of time.

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 month period provided both an appropriate and well-funded marketing campaign and experienced Management & Letting Rights Agent(s) are employed.

5.4 COMPETITION

A search of comparable accommodation properties located near the subject complex includes but is not limited to the following:

Complex Name	Address	No of Lots
"Three 72 Marine" by "Aniko Group"	372 Marine Parade, Labrador	108
East Quays	25-31 East Quay Drive, Biggera Waters	299
Aquilo at Harbour Quays	11 Compass Drive, Biggera Waters	55
Etesian at Harbour Quays	41 Harbour Town Drive, Biggera Waters	61
Levanto at Harbour Quays	43 Harbour Town Drive, Biggera Waters	72

Overall, there is a moderate amount of rental offers for comparable 1, 2 and 3 bedroom modern accommodation in the immediate vicinity.

Rental Comparison

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

Type	Subject p/w	Rentals p/w
1 Bedroom	\$360 - \$410	\$390 - \$395
2 Bedroom	\$450 - \$575	\$425 - \$465
3 Bedroom	\$450 - \$650	\$475 - \$650

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.

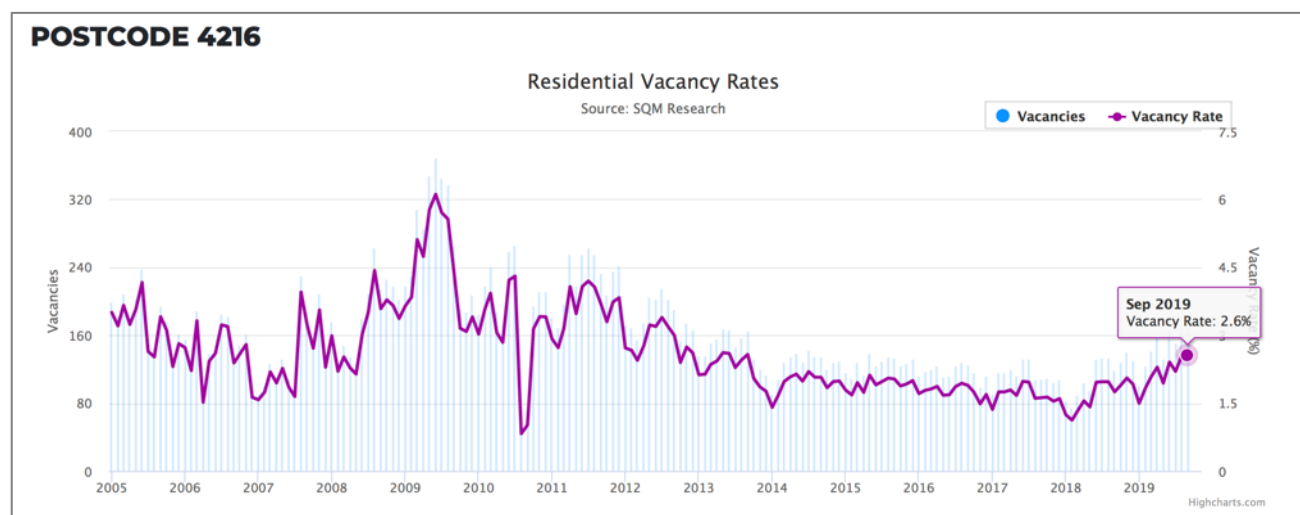
RTA - Median Weekly Rents				
		Sep-17	Sep-18	Sep-19
Postcode	Localities	Rent	Rent	Rent
1 Bedroom Apartments				
	Gold Coast North	\$345	\$350	\$350
4216	Biggera Wtrs/ Coombabah/Hollywell/ Paradise Pt/ Runaway Bay	\$350	\$358	\$355
2 Bedroom Apartments				
	Gold Coast North	\$400	\$405	\$420
4216	Biggera Wtrs/ Coombabah/Hollywell/ Paradise Pt/ Runaway Bay	\$400	\$405	\$420
3 Bedroom Apartments				
	Gold Coast North	\$420	\$410	\$415
4216	Biggera Wtrs/ Coombabah/Hollywell/ Paradise Pt/ Runaway Bay	\$450	\$460	\$460

Based upon the above information, the subject complex rentals are **within** the comparison range for comparable modern apartment complexes for 1 and 3 bedroom units and slightly above the market range for 2 bedroom units. This is considered acceptable given the waterfront location of the complex and upmarket recreational facilities available to the residents.

Overall, we consider that the current rental levels are at market. Recent lettings within the complex further confirm this opinion.

Vacancy Rates

We have utilised the SQM Research for September 2019 statistics. The details are as follows:



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

- We have adopted a 4.00% vacancy (or 2 weeks) as per industry expectations for our 'check' calculations of the commission & management fee.
- Based on our search of "realestate.com.au" the following units were on the market for rent. Majority were 2 bedroom units advertised by the Manager.

Unit Number	Type	Asking Rent	Agent
Unit 4709	3 bed 2 bath	\$690 per week	H Property Group
Unit – Undisclosed	3 bed 2 bath	\$650 per week	Australian Property Management Alliance
Unit 1308	3 bed 2 bath	\$540 per week	Manager
Unit 2409	2 bed 2 bath	\$460 per week	H Property Group
Unit 2508	2 bed 2 bath	\$470 per week	Manager
Unit 2309	2 bed 2 bath	\$450 per week	Manager
Unit 4710	2 bed 2 bath	\$475 per week	Manager
Unit 31003	2 bed 2 bath	\$500 per week	Manager
Unit 41107	2 bed 2 bath	\$480 per week	Manager
Unit 4810	2 bed 2 bath	\$570 per week	Manager
Unit 4905	2 bed 2 bath	\$575 per week	Manager
Unit 21206	2 bed 2 bath	\$490 per week	Manager
Unit 41104	2 bed 2 bath	\$590 per week	Manager
Unit 2406	2 bed 2 bath	\$465 per week	Manager
Unit 41003	2 bed 2 bath	\$510 per week	Manager
Unit 4302	2 bed 2 bath	\$500 per week	Manager
Unit 31109	2 bed 2 bath	\$470 per week	Manager

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 Damien Moffrey of “Managed Right Pty Ltd” dated 19 December 2019 for the 12-month period ending 30 September 2020. We used “Appendix A” for the purposes of this valuation.

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 Inclusive of Building 5 Remuneration					
Year Ending	Gross Income	Cost Of Sales	AV Adjustments	Adopted Amounts	% of Gross R/OE
30 September 2020					
Gross Revenue					
Body Corporate Remuneration (Buildings 1-5)	\$1,061,290			\$1,061,290	74%
Commission & Management Fees (Buildings 1-4)	\$242,822			\$242,822	17%
Letting/Reletting Fees (Buildings 1-4)	\$82,942			\$82,942	6%
Administration Income (Buildings 1-4)	\$17,093			\$17,093	1%
Repairs & Maintenance (Recoverable Outgoings) (Buildings 1-4)	\$88,129	(65,291)		\$22,838	2%
Advertising	\$3,990	(7,164)	\$3,174	\$0	0%
Total	\$1,496,265	(72,455)	\$3,174	\$1,426,984	100%
Operating Expenses					
Audit & Accountancy	\$5,500			\$5,500	2%
Bank Fees	\$1,140			\$1,140	0%
Computer Support/Software	\$4,846			\$4,846	2%
Insurance	\$0		\$4,000	\$4,000	1%
Registration & Licence Fees	\$1,894			\$1,894	1%
Motor Vehicle Expenses	\$1,040			\$1,040	0%
Office Expenses (Levies, Rates) - Allowance	\$0		\$7,956	\$7,956	3%
Printing, Postage & Stationery	\$10,002			\$10,002	3%
Subscriptions	\$4,200			\$4,200	1%
Telephone & Internet	\$2,160			\$2,160	1%
<i>Wages - Property Management</i>	<i>\$58,500</i>			<i>\$58,500</i>	<i>18%</i>
<i>Wages - Reception/Administration</i>	<i>\$45,000</i>			<i>\$45,000</i>	<i>14%</i>
<i>Cleaning Contractors</i>	<i>\$132,000</i>			<i>\$132,000</i>	<i>42%</i>
<i>Superannuation</i>	<i>\$9,315</i>			<i>\$9,315</i>	<i>3%</i>

Workcover	\$3,390		\$3,390	1%
Rent for Unit 1706 on SP279571 (Residence)	\$0	\$26,000	\$26,000	8%
Total	\$278,987	\$37,956	\$316,943	100%

NET OPERATING PROFIT

\$1,110,041

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

- The complex has been developed by “Raptis” property group.
- “Waterpoint” development is made up of 662 lots, inclusive of two Manager’s Lots.
- Building 5 is made up of 143 apartments and the building will be registered in November 2019. The Developers have 30 unsold apartments.
- The Management Rights businesses are being sold on the basis of “two person” operation team (traditionally in the industry this used to mean a “mum & dad” team who owns the business and, therefore, any salary to them is excluded from the P&L). However, high netting businesses are usually acquired by partnerships and syndicates (and not by “mum & dad” operators) who employ professional on-site management teams.

The current Operator employs the on-site management team to manage the business for a cost of circa \$190,000 per annum (inclusive of superannuation) (as advised to us by Mr Malcolm Cory). We therefore note that the actual Net Operating Profit on this basis is lower than that as adopted for our valuation. The cost of this “two person” team is excluded from the overall expenses, but additional management will adversely affect the bottom line.

Income

- As a percentage of Gross Revenue, the Body Corporate remuneration at 74% for the subject complex sits **above** 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.
- We have been provided with rental range for units in the letting pool by the Manager, David Edwards, via email dated 29 October 2019 from Malcolm Cory. The Manager has also provided the approximate split between 1, 2 and 3 bedroom units in the letting pool. We undertook “check” calculations to establish the Commission & Management Fees figure based on advised number of units in the letting pool, unit configuration and current rents.

Commission Calculation - Long Term Let Units - Buildings 1, 2, 3, 4 - Actuals

Unit Type	Number of Units	Range Per Week		Average Rent	Adopted Occupancy	Adopted Commission %*	Commission
1 Bed Unfurnished	7	\$360	\$410	\$385	96%	5.0%	\$6,727
2 Bed Unfurnished	110	\$450	\$575	\$513	96%	5.0%	\$140,712
3 Bed Unfurnished	75	\$450	\$650	\$550	96%	5.0%	\$102,960
Total:	192						\$250,399

*Note: We have adopted 5% average combined commission and management fee for our “check” calculations. This figure ranges between 3% and 7.5% in case of the subject business, based on the summary of Letting Appointments prepared by the Reviewing Accountant.

Commission Variation - Long Term - Actuals		
AV Estimated	Accountant's Review	Variation
\$250,399	\$242,822	\$7,577
		3%

The variation between our check calculations and commission & management fees figure reported by the Reviewing Accountant is **within** the acceptable range of variation (*i.e. up to 5%*).

- The overall ancillary income (excluding Body Corporate Remuneration, Commission and Re-Letting Fees) is 3% of Gross Revenue, which is **below** the range for the comparable established complexes (10%-15%).

There are no major (above 5% of Gross Revenue) individual revenue streams such as “Repairs & Maintenance”, “Internet”, “Keys & Fobs” etc. This indicate an opportunity to increase the ancillary revenue to the business.

Expenses

- The Reviewing Accountant included all typical Operating Expense items.
- Total expenses at 22% of Gross Revenue are **above** the range of industry expectations for comparable long term complexes (10% - 20%) but acceptable given the large size of the subject development.

We benchmarked the expenses against the similar complexes for which we have recent financial data. It appears that the expenses for the subject complex are at the lower end of the range.

Name of the Complex	Reviewing Accountant	Period 12 months up to	Units	Operating Expenses % of Gross Revenue
South Lakes, Varsity Lakes	Erika Thomas	30 November 2018	375	26%
Harbour Quays, Biggera Waters*	Paul Gaffney	31 August 2019	661	39%
Sphere, Southport	Erika Thomas	30 November 2017	361	30%
Parklands, Brisbane City	RCB Accounting	30 June 2019	401	32%

*This business has 7 Manager’s Units and 7 Schemes.

- We consider that the subject complex is suitable for operators with previous management & letting rights experience.
- Our inspection confirmed that the wages allocation (\$248,205 or 78% of Operating Expenses) by the Reviewing Accountant is reasonable, particularly given the high percentage of Body Corporate remuneration.

We benchmarked the expenses against the similar complexes for which we have recent financial data. It appears that the wages allocation for the subject complex is at the upper end of the range.

Name of the Complex	Reviewing Accountant	Period 12 months up to	Units	Wages % of Operating Expenses
South Lakes, Varsity Lakes	Erika Thomas	30 November 2018	375	89%
Harbour Quays, Biggera Waters	Paul Gaffney	31 August 2019	661	57%
Sphere, Southport	Erika Thomas	30 November 2017	361	82%
Parklands, Brisbane City	RCB Accounting	30 June 2019	401	80%

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
Waterpoint	192	662	29%
South Lakes at Varsity	206	375	55%
Harbour Quays & East Quays	432	661	65%
Allegra	79	117	68%
Central Village	460	520	88%

The analysed subject complex letting pool ratio is to the **lower end** of the analysed sales. There is an opportunity to increase the letting pool by focusing on marketing and negotiating competitive management fees with those units currently being managed by outside agents.

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
Allegra	117	\$1,010	36%
Central Village	520	\$1,392	49%
Harbour Quays & East Quays	661	\$1,421	61%
South Lakes at Varsity	375	\$1,547	74%
Waterpoint	662	\$1,603	97%

The Body Corporate remuneration as a percentage of Gross Revenue to the business and on a per lot basis (total lots within the complex) for the performance of duties is **above** the industry range for similar complexes. This is acceptable given the relatively large size of the subject complex and the high component of common facilities.

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
Waterpoint	Permanent Let	\$254
South Lakes at Varsity	Permanent Let	\$972
Harbour Quays & East Quays	Permanent Let	\$1,376
Central Village	Permanent Let	\$1,659
Allegra	Permanent Let	\$2,682

The subject complex analysed figure is **below** the range of the body of evidence principally due to a relatively large size of the complex and relatively small letting pool.

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
Waterpoint	Permanent Let	\$1,677
South Lakes at Varsity	Permanent Let	\$2,080
Harbour Quays & East Quays	Permanent Let	\$2,321
Allegra	Permanent Let	\$2,821
Central Village	Permanent Let	\$2,860

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.

In the case of the subject property, the analysed figure is **below** the body of evidence, principally due to the relatively large size of the complex and the relatively low ancillary revenue as a percentage of Gross Revenue to the business.

6.2.5 Net Operating Profit Comments

The adopted Net Operating Profit for the subject business is \$1,110,041 and is based upon 192 units in the letting pool (Buildings 1 – 4).

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

The Gold Coast management rights market has experienced a strong uptrend in buyer activity and considered to reach its peak in 2017, with many investors viewing it as a less volatile market compared to Brisbane. The market had plateaued and remained stable during 2018, slowing down a bit towards the end of 2018. First half of 2019 has seen very low transaction volumes, however, towards mid-2019 a higher number of transactions have been reported by agents.

Historically high multipliers continue to be paid for high netting businesses in advantageous locations, which are viewed as scarce product. Vendors expectations for such assets remain high. It appears that the market for larger sized complexes of net operating profits over \$500,000 attract syndicate buyers who are willing to pay a premium multiplier and see the investment as a good return compared to other assets. The management and letting rights businesses continue to be perceived as an attractive investment.

We observed that some of the Asian purchasers are moving from Brisbane to the Gold Coast area, which has seen an increase of transactions for large long term let businesses during mid-2019.

In the event of future interest rate increases or an unforeseen significant economic occurrence, there may be a downward readjustment of multipliers. 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. According to Mahoney Lawyers, disputes between managers and bodies corporate have become difficult, protracted and expensive. An increased amount of refusals to consent to an assignment has been reported. *Source: <http://www.mahoneys.com.au/news-article/assignments-made-difficult> (as at August 2019).* 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	Allegra	Manager's Unit Price	\$580,000	
Address	401/139 Scarborough Street, Southport, Gold Coast, QLD,	M&L Rights Price	\$1,920,000	
		Total Price	\$2,500,000	
Type	Unit Complex	Sale Date	May 2018	
Build Date	2017	NOP	/Unit Let	\$330,048 \$4,075
Units Let	79 (68%)	BC Salary	/Total Lot	\$118,170 \$1,010
Total Lots	117	NOP Ex BCS	/Unit Let	\$211,878 \$2,616
Use	Permanent Let	Multiplier	5.82 times	
Agreements	24.5 years remaining term	Return on Investment	13%	
Regulation Module	Accommodation	Business Type	Partly Established	

"Allegra" is a modern medium rise apartment complex located within Southport Central Business District on the central Gold Coast. The complex is located on the corner of Scarborough Street and Nind Street, approximately 210 metres west of Anzac Park.

The complex comprises 22 one bedroom units, 90 two bedroom units, 2 three bedroom units, 2 commercial units, a Manager's Unit and a total of 117 lots. Most units have been designed to benefit from ocean and city views.

The business is made up of 79 (68%) permanent let units, 2 outside let agents, 20 owner occupied units, 2 commercial units, a Manager Unit and 13 unsold Developer's units which are currently for sale.

The Manager's Unit is located to Level 3 and comprises a two bedroom, two bathrooms unit. It presents in near new condition and has the benefit of ocean views.

Common facilities include: Rooftop barbeque and recreational area, function room, basement car parking and visitor car parking.

The agent (Resort Brokers) advised that the Purchaser has extensive property experience in Sydney.

Historical trading figures for a full 12-month period were not available. The accountant's report is based on 4 months of actual trading which is being projected to 12 months.

We consider this sale to represent current buoyant market, particularly in Southport area.



Name	Harbour Quays and East Quays	Manager's Units Price (7)	\$3,475,000	
Address	East Quay Drive, Biggera Waters, Gold Coast, Qld, 4216	M&L Rights Price (in one line)	\$9,315,000	
		Total Sale Price	\$12,790,000	
Type	Unit Complex	Sale Date	March 2017	
Build Date	Circa 2012 to 2015	NOP	Per Unit	\$1,533,879 \$3,551
Units Let	432 (65%)	BC Salary	Per Lot	\$939,498 \$1,421
Total Lots	661	NOP Ex BCS	Per Unit	\$594,381 \$1,376
Use	Permanent Let	Multiplier	6.07 times	
Agreements	20 to 23 yrs to run (7 Bodies Corp.)	Return On Investment	12%	
Regulation Module	Accommodation	Type	Established	

The "Harbour Quays and East Quays" complex is located on East Quay Drive which intersects with Harbour Town Drive and is adjacent to the Harbour Town Shopping Centre. It is situated within the northern Gold Coast suburb of Biggera Waters which is located approximately 7 kilometres north of Southport. The complex was developed by "Emandar Group".

The complex is made up of "Harbour Quays" which comprises six buildings with a total of 363 units. "East Quays" is a recently completed complex of four high rise buildings with a total of 298 units. There are seven Manager's Units (one in each of the Schemes) with a total of 661 Lots across the seven Schemes.

The business is made up of 432 long term let units of 1, 2 and 3 bedroom configuration. The complex is made up of 432 units in the letting pool, 12 outside let agents, 217 owner occupied units and 7 Manager's Units.

The Manager's Units and generally form either a two or three bedroom unit with the office/reception on the same title. Six Manager's Unit are located within the "Harbour Quays" complex which is made up of six buildings: 'Zephyr', 'Mistral', 'Sirocco', 'Etesian', 'Aquila' and 'Levanto'. The seventh unit is located within 'East Quays' complex and provides a two bedroom, two bathroom unit with office/reception on the same title.

"Harbour Quays" buildings generally provide common facilities including: Swimming pool and spa, barbeque area, visitor's car parking, basement car parking, landscaped grounds.

"East Quays" complex provides: Resort style swimming pool, spa, gymnasium, meeting room, covered barbeque and recreation areas, sauna, landscaped gardens, basement parking and visitor's car parking.

Note: The Broker had a number of sophisticated investors looking for a large Management and Letting Rights business. Such businesses attract syndicate buyers, who are willing to pay premium multipliers and view the investment as a good return compared to other assets. However, the number of businesses with NOP's of in excess of \$500,000 and being available on the market are limited. Therefore, demand from syndicators is higher than supply. Sold by "Resort Brokers".



Name	Central Village	Manager's Unit Price		N/A	
Address	348 Water Street, Fortitude Valley, Brisbane, Qld, 4006	M&L Rights Price*		\$9,780,000	
		Total Price		\$9,780,000	
Type	Unit Complexes	Sale Date		February 2018	
Build Date	2014 -2016	NOP	Per Unit	\$1,487,021	\$3,233
Units Let	460 (combined) (88%)	BC Salary	Per Lot	\$723,702	\$1,392
Total Lots	520 (combined)	NOP Ex BCS	Per Unit	\$763,319	\$1,659
Use	Permanent Let	Multiplier		6.58 times	
Agreements	21, 21, 23, 22 years to run	Return On Investment		15.2%	
Regulation Module	Accommodation	Business Type		Established	

The "Central Village" development comprises three high rise residential towers known as: "Cambridge" (348 Water street), "Canterbury" (10 Trinity Street) and "Oxford" (338 Water Street) at Fortitude Valley. The complex is situated on the corner of Water Street and Baxter Street approximately 400 metres from Fortitude Valley Railway Station. The property is located within the residential suburb of Fortitude Valley, being situated in the inner city suburb of Brisbane Queensland.

The breakup of total lots in each building comprises 165 units in "Cambridge Towers", 195 units in "Canterbury Towers", and 160 units in "Oxford Towers", with a total of 520 lots. The combined buildings comprises 460 units in the letting pool (289 one bedroom units and 171 two bedroom units), 29 owner occupied units, 26 managed by outside agents and 5 units are for sale, with a total of 520 units across the three buildings. The business is 100% permanent let, and includes 141 NRAS units with "AMC" provider.

There is no Manager's Unit to be purchased. The current owners of the MLR business operate the Manager's Office/Reception from a central location on the ground floor of the "Canterbury Towers" building. There is also a designated Manager's Office/Reception for each of "Cambridge" and "Oxford" buildings, and all are subject to an occupation authority rights.

Common facilities include: Swimming pools, rooftop terrace, lounge and barbeque areas, detached recreation building including gymnasium, games room and kitchen, standalone guest and resident reading room building and secure basement car parking and entry. "Cambridge" and "Oxford Towers" have their own roof top recreation area with barbeque.

**Note: Confirmed settlement price, after price reduction.*

Note: One of the Directors of the purchasing entity is an experienced MLR business owner who currently owns three MLR businesses in Brisbane. Sold by "Resort Brokers".



Name	South Lakes at Varsity	Manager's Unit Price	\$930,000	
		Manager's Office Price	\$80,000	
		Manager's Office Price	\$80,000	
Address	Lots 1212, 2001, 3022 at 397 Christine Avenue Varsity Lakes, Qld, 4227	M&L Rights Price	\$5,137,500	
		Total Price	\$6,227,500	
Type	Unit Complex	Sale Date	March 2019	
Build Date	2017 - 2018	NOP	/Unit Let	\$780,178 \$3,629
Units Let	206 (55%)	BC Salary	/Total Lot	\$580,000 \$1,547
Total Lots	375	NOP Ex BCS	/Unit Let	\$200,178 \$931
Use	Permanent Let	Multiplier	6.59 times	
Agreements	23 years to run	Return On Investment	13%	
Regulation Module	Accommodation	Business Type	Semi-Established	

The "South Lakes at Varsity" comprises a recently constructed waterfront residential complex, incorporating three buildings, which is located within an established residential suburb of Varsity Lakes. The complex is situated on the northern side of Christine Avenue, which carries a high amount of traffic. The complex has a 400-metre frontage to Lake Orr with a majority of units benefiting from water views. Lakewood Reserve (bushland) adjoins the subject site to the west. The location is close to Bond University, Varsity College Primary School and Robina Town Centre. The complex was developed by "Emandar Group".

The complex features 2 bedroom 1 bathroom, 2 bedroom 2 bathroom and 3 bedroom 2 bathroom units, the majority of which are complemented by views over Lake Orr. As the development was constructed in 3 stages, the letting pool was gradually increasing as new stages were added and individual lots sold to investors.

The Manager's Unit (Lot 1212) incorporates residential and office/reception components. The residential component is situated on level 2 of the building, and is of 3 bedroom plus study 2 bathroom configuration. The unit is complemented by a large balcony overlooking Lake Orr. The office component is detached from the residential component and is situated to the ground level of the same building (foyer). It comprises a functional area, together with a kitchenette and a toilet.

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.

Common facilities include: Lap swimming pool, kids pool, spa, sauna, gymnasium, cinema, golf simulator, herb garden, games room, resident's lounge, outdoor walking trails, landscaped gardens and lawn areas.

Note: The Broker had a number of sophisticated investors looking for a large Management and Letting Rights business. Such businesses attract syndicate buyers, who are willing to pay premium multipliers and view the investment as a good return compared to other assets. However, the number of businesses with NOP's of in excess of \$500,000 and being available on the market are limited. Therefore, demand from syndicators is higher than supply. Sold by "Resort Brokers".

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.

Complex	Units Let	% Units Let	NOP	Yrs Remain	Multiplier
Allegra	79	68%	\$330,048	25	5.82
Harbour Quays & East Quays	432	65%	\$1,533,879	22 & 21 & 21 & 21 & 22 & 23 & 23	6.07
Waterpoint	192	29%	\$1,110,041	21, 21, 23, 25	6.30
Central Village	460	88%	\$1,487,021	21, 21, 23, 22	6.58
South Lakes at Varsity	206	55%	\$780,178	23	6.59

Factors which are favourable for the subject property include:

- Well-presented large modern waterfront complex, located in proximity to the Harbour Town Shopping Centre.
- High overall NOP (above \$1m).
- Opportunity to increase the letting pool.

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.
- The Manager has to negotiate the day to day operation of the business with four Bodies Corporate.

7.2.2 Sales Evidence Analysis

Allegra Southport

This modern unit complex is located in a superior suburb of Southport, Gold Coast. The business is similar to the subject providing permanent rentals. The multiplier (YPF) of **5.82** times demonstrated by this sale is considered to be **less than** that which should be applied to the subject property, principally due to the significantly smaller NOP. We consider this sale to represent a current buoyant market, particularly considering that the P&L was based on partially projected figures.

Harbour Quays & East Quays

This modern residential development is located in Biggera Waters, Gold Coast. The business is similar to the subject providing permanent rentals. The multiplier (YPF) of **6.07** times demonstrated by this sale is considered to be **less than** that which should be applied to the subject property, principally due to 7 Body Corporates the Manager has to negotiate. There is also 7 Manager's Units, reducing the return on investment. This is an older sale and the management rights market has improved since.

Central Village

This modern residential development is located in Fortitude Valley, Brisbane. The business is similar to the subject providing permanent rentals. The multiplier (YPF) of **6.58** 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. The business has the same number of Bodies Corporate and there is no Manager's Lot.

South Lakes at Varsity

This modern residential waterfront development is located in a comparable suburb of Varsity Lakes, Gold Coast. The business is similar to the subject providing permanent rentals. The multiplier (YPF) of **6.59** times demonstrated by this sale is considered to be **in excess of** that which should be applied to the subject property, principally due to a single Body Corporate and higher Net Operating Profit per lot.

7.2.3 Assessment

As a primary method, we used the Capitalisation Analysis. Based upon the sales evidence, we believe that the Net Operating Profit of \$1,110,041 has an achievable and applicable multiplier range of between 6.20 and 6.50 times. We have then adopted a mid-range multiplier of 6.30 times. The workings are as follows:

	Net Operating Profit	Multiplier Range	Value Range
Subject Property	\$1,110,041	6.20	\$6,882,255
		to	
		6.50	\$7,215,268
Adopt (Rounded)		6.30	\$6,990,000

For practical valuation purposes, we have adopted a figure of **\$6,990,000** 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 Price/Unit let, (i.e. the value 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
Central Village	460	88%	\$1,659	\$21,261
Harbour Quays & East Quays	432	65%	\$1,376	\$21,563
Allegra	79	68%	\$2,682	\$24,304
South Lakes at Varsity	206	55%	\$972	\$24,939
Waterpoint	192	29%	\$254	\$36,406

The subject complex analysed figure is **above** the range of the analysed sales due to a relatively small size of the letting pool 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 value 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
Waterpoint	662	\$1,110,041	\$10,559
South Lakes at Varsity	375	\$780,178	\$13,700
Harbour Quays & East Quays	661	\$1,533,879	\$14,092
Allegra	117	\$330,048	\$16,410
Central Village	520	\$1,487,021	\$18,808

The subject complex 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 purchase price of the Management & Letting Rights and Managers Unit/Lot). The comparisons are as follows:

Complex	ROI
Harbour Quays & East Quays	12%
South Lakes at Varsity	13%
Allegra	13%
Central Village	15%
Waterpoint	16%

The subject complex analysed figure is **above** the range of the analysed sales due to relatively small percentage of real estate (two Manager's Office lots).

7.3 MANAGEMENT & LETTING RIGHTS SALES ANALYSIS COMPARISON

Complex	NOP	Units Let	Yrs Remain	Multiplier
Allegra	\$330,048	79	25	5.82
Harbour Quays & East Quays	\$1,533,879	432	22 & 21 & 21 & 21 & 22 & 23 & 23	6.07
Waterpoint	\$1,110,041	192	21, 21, 23, 25	6.30
Central Village	\$1,487,021	460	21, 21, 23, 22	6.58
South Lakes at Varsity	\$780,178	206	23	6.59

As a final analysis, the adopted multiplier of **6.30 times** for the subject complex business is within the body of sales evidence and therefore acceptable.

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 Lots and the Management & Letting Rights business for the subject complex, situated at "Waterpoint Residences" at 5 Harbour Side Court, Biggera Waters, QLD, 4216 as at 15 January 2020 are:

Manager's Lot 1: \$70,000 (Seventy Thousand Dollars)
Manager's Lot 2: \$90,000 (Ninety Thousand Dollars)
Total - Lots: \$160,000 (One Hundred and Sixty Thousand Dollars)

Management & Letting Rights: \$6,990,000 (Six Million Nine Hundred and Ninety Thousand Dollars)

TOTAL: \$7,150,000 (Seven Million One Hundred and Fifty 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 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 Lots and Management & Letting Rights business is being valued for the sole and exclusive use of Raptis Group Limited and Grant Thornton Corporate Finance 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
Valuer



Per: Craig Smith
Director

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.



9. ENCLOSURES

- LETTER OF INSTRUCTIONS
- ACCOUNTANTS REPORT

From: Malcolm Cory mcory@raptis.com 
Subject: RE: Waterpoint Apartments
Date: 6 January 2020 at 3:38 pm
To: Management Rights mlr@australianvaluers.com.au
Cc: Ekaterina Ivandikova ekaterina@australianvaluers.com.au

MC

Hi Jemma

I am pleased to see that Ekaterina has been able to update the previous valuation to incorporate the revised investigating Accountants report.

I accept the invoice of \$900 plus GST.

Could you please provide your invoice

Regards



Malcolm Cory
Company Secretary

Level 3, 25 Elkhorn Avenue, Surfers Paradise Qld 4217
T: (07) 5628 0474 | M: 0402 083 057 | E: mcory@raptis.com

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From: Management Rights <mlr@australianvaluers.com.au>
Sent: Monday, 6 January 2020 1:31 PM
To: Malcolm Cory <mcory@raptis.com>; Ekaterina Ivandikova <ekaterina@australianvaluers.com.au>
Subject: Waterpoint Apartments

Good Afternoon Malcolm

Ekaterina has advised that she is currently undertaking some additional work for you on this valuation.

Could you please respond to my email with what is required for this additional work and your confirmation of the additional fee being \$900 + GST for our records.

Thanks & Regards,

Jemma Cox

Management Rights Coordinator

Australian Valuers

All correspondence to: PO Box 6033, Maroochydore QLD 4558

P: 0449 502 342 (Mon-Wed) or 1800 664 094

E: mlr@australianvaluers.com.au

W: australianvaluers.com.au

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From: Malcolm Cory <mcory@raptis.com> 
Subject: Fwd: FW: Final report
Date: 26 December 2019 at 10:58 am
To: ekaterina@australianvaluers.com.au

MC

Hi Ekaterina
Let me know if you need any changes. Hope you are enjoying the season
Malcolm
----- Forwarded message -----
From: Damien Moffrey <damien@managedright.com.au>
Date: Dec 19, 2019 6:00 PM
Subject: FW: Final report
To: Malcolm Cory <mcory@raptis.com>
Cc:

FYI below

If you have any queries in regard to the above email please reply by email or call me on 0455 022 750.

Have a great day and all the best !

Damien Moffrey
Business Strategist
Managed Right Tax and Business Advisors

M: 0455 022 750
P: 07 5646 4580
A: 11a, 47 Bundall Road, Bundall QLD 4217
P: PO Box 8043 GCMC Bundall QLD 9726



www.managedright.com.au

From: Damien Moffrey <damien@managedright.com.au>
Sent: Thursday, 19 December 2019 7:44 AM
To: 'Malcolm Cory' <mcory@raptis.com>
Subject: Final report
Importance: High

Hi Malcolm
Please find attached the final report with all changes made as discussed. Please feel free to confirm the finalisation and I will forward this to Ekaterina today. Thanks again.

If you have any queries in regard to the above email please reply by email or call me on 0455 022 750.

Have a great day and all the best !

Damien Moffrey



19 December 2019

The Directors
Elkhorn Administration Pty Ltd
25 Elkhorn Avenue
Surfers Paradise QLD 4217

Via Email:

Dear Oscar & Malcolm,

MANAGEMENT RIGHTS BUSINESS – VERIFICATION REPORT
PROPERTY NAME: WATERPOINT APARTMENTS

We have been engaged by the Developer and Operator of the Waterpoint Management Rights business, and as requested, we have examined the books and records of the above complex and submit our report on same.

1.0 SCOPE OF EXAMINATION

This financial verification report has been prepared for the purposes of:

- Verifying the minimum net operating profit of \$1,141,730.40 (Appendix B) for the year ending 30 September 2020 to prepare the business for sale. and
- Conveying any significant matters identified during the course of our review

For the purposes of sale, net operating profit is generally defined in Clause 12.1(a) of the REIQ Standard Conditions of Sale as follows:

“For the purpose of this clause 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 (in particular excluding depreciation, borrowing expenses, interest on borrowings and any payment for labour related to work which would normally be performed by a two person resident management team)”.

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Managed Right Pty Ltd
ABN:- 83 617 207 173

We were provided with an actual 12 months Profit and Loss Statement prepared for sales purposes (as presented in Appendix B -2) for the period 30th September 2018 to 31st August 2019 that shows a net profit of \$966,662.28 and a Projected 12 months Profit and Loss Statement prepared for sales purposes (as presented in Appendix B -1) for the year ending 30th September 2020 that shows a net profit of \$1,141,730.40

We have extracted and adjusted the figures from the vendors' books and records to determine, according to normal accounting principles, and have incorporated the 12 months actual figures and projections to arrive at the net profit of the business for sales purposes for the year ending 30th September 2020 (presented in Appendix A) in accordance with Clause 12 and the definition of net profit as outlined above.

Our review is limited primarily to enquiries of the vendor, limited testing and analytical procedures applied to the financial data to form an opinion as to whether the statement is free from any material misstatement. We have not conducted an audit of the books, records and source documents from which the Profit and Loss Statement was prepared and accordingly, do not express an audit opinion.

Our verification review encompasses investigation of the trust and available general account accounting and business records including, but not limited to, examination of the trust account bank statements, investigation of the trust account software and end-of-month trust reports and review and perusal of other trust account records to satisfy ourselves as to the net profit.

This verification report has been prepared by Managed Right Pty Ltd in good faith and without assuming a duty of care. Whilst the information in this report is based on accurate and reliable information at the time of printing, no liability is accepted for the contents of, or the accuracy of the information.

The information in this verification report is not a valuation and is not intended to make any assurances as to the future profitability of the business.

2.0 PROPERTY DESCRIPTION

Waterpoint Apartments is a 662 apartment complex. The vendors have been operating the management rights business since 2015. The developers have still 30 unsold apartments in Waterpoint Apartments building F.

Our review of the letting authorities and enquiries of the vendor have revealed the units in the complex are currently allocated in the following manner:

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Description	Lots
Letting Pool – Holiday	0 #
Letting Pool – Permanent	192#
Lock-Ups	0
Owner Occupied	395
External Agents	45
Unsold	30
Total	662

A new tower including 143 of the 662 apartments come online in October 2019

The following owners own multiple apartments :-

- Developer
- Wombat Superfund 2x apartments
- Ryu 2 x apartments
- Fortis 3 x apartments

3.0 BASIS OF ACCOUNTING

The vendor uses Console Cloud accounting software to account for the trust account, while MYOB is used to maintain the general account.

The vendor made available to us all trust account records including monthly manager summaries reflecting income drawn from the trust account for the 12 months ended 30 September 2020, as well as, the payments issued monthly reports, current guest list report, Current owners list report, a detailed general ledger report for the same period and a full complement of POA form 6, tenancy agreements, RTA Bonds report and other documentation as required.

4.0 VERIFICATION OF THE FINANCIAL RECORDS

As a result of our review of the records provided and subsequent discussions with the vendor, we have adjusted the vendor's 12 month Profit and Loss Statement attached at Appendix B and present an adjusted 12 month Profit and Loss Statement at Appendix A. Following are the notes pertaining to these figures (note that unless otherwise stated, all figures in the Profit and Loss Statement are exclusive of GST):

4.1 Verification Period

We are bound to be Verifying the minimum net operating profit of \$1,141,730.40 for the year ending 30th September 2020.

4.2 Body Corporate Remuneration

The Body Corporate remuneration has been adjusted to reflect the current monthly rate of remuneration of \$88,440.84 excl GST, extrapolated for twelve months. We note that this remuneration amount is expected to increase in December each year by CPI following the annual review.

4.3 Advertising

It is normally assumed within the Management Rights Industry that all income collected from the advertising levy would be expended on promoting the management rights complex, but in any one year, the income and expenditure will not necessarily be equal. This is due to expenditure being incurred as and when required and not necessarily as funds are collected. It is therefore generally accepted within the industry, that the income and expenditure relating to advertising be treated as equal in each year prepared for sale purposes. However, in this complex the subscriptions of real estate.com is noted as expenditure. The POA form 6 allows for advertising fees to be charged to owners for advertising reletting of the apartments. These are noted in Appendix C

4.4 Commissions

Commissions have been calculated with reference to October 2019 letting pool details and this has been projected forward. Renewals, Sales and other factors could change this as the year progresses however we have been conservative with our approach.

4.5 Motor Vehicle Expenses

In accounts prepared for sale purposes it is usual to include an amount to cover only the nominal running expense of a motor vehicle. The amount of motor vehicle expenses incurred is directly related to the type of motor vehicle used, the method of financing same and the proportion of business use. The actual level of motor vehicle expenses will most likely be significantly higher. We have included an expense of \$1,040 (\$20 per week).

4.6 Tower 5 Income

We have not included any income from the Tower 5 apartments. At the time of this report there is an expectation that there will be income streams from the investor sales in the tower.

4.7 Rental Guarantees

The vendors have reported that rental guarantees exist in the Waterpoint apartments letting pool for the following apartments.

- Apartment Zhang 24 months from 3/10/19
- Apartment Yorath 6 months from 29/10/19

4.8 Leaseback apartments

The vendors have noted that there are no Leaseback apartments in the letting pool.

4.9 Management Agreements

We were provided with a copy of the management agreements which were signed on 16th December 2015. The agreement is a 15 Year agreement ending on 16th December 2030 plus the caretaker has a further 10 Yr option to end on 15th December 2040 (25yrs + 10yrs). This agreement is a performance agreement and notes daily, weekly and monthly tasks to be undertaken by the manager or his delegate as a minimum requirement.

4.10 Waterpoint apartments is located at 5 Harbourside Court Biggera Waters QLD 4216

4.11 Office Hours

The caretaking agreement does not appear to set office hours, however the current manager says that they operate the office in accordance with the caretaking agreement and that The hours the reception is currently open are as follows.

- Monday to Friday 8:30 am to 5:00 pm

4.12 Claw Forward Arrangement

The Vendors have 143 new apartments coming on line with Building F, these apartments have 25 investor owners from current sales data at the date of this report. It would be a reasonable expectation that a majority, if not all, of these investor owners would sign POA form 6 with current onsite management. No income has been included in the prepared Adjusted Profit and Loss Statement the 30th September 2020.

Based on the following Data

- 4% commission fee
- 1 letting fee per year at 1/2 weeks rental
- Average rental rate of \$617 per week
- Occupied weeks of 50 weeks per year.
- An average income per apartment would be approximately \$1542.50 per annum.
- An appropriate claw forward amount per apartment would be between \$6,941 and \$7,713.

4.13 Vendors Adjusted Management Rights

Adjusted Net Profit for year ending 30 September 2020 (Appendix A)
is \$1,144,823

- ***We are able to verify the calculation of the net profit for the year ended 30th September 2020 of \$1,144,823***

5.0 GENERAL MATTERS RELATING TO THE BUSINESS

All charges quoted in the section are GST-exclusive. Unit owners are charged 10% GST.

5.1 Management Agreements and Units in the Letting Pool

Properly executed Property Occupations Form 6 Management Agreements are a significant protection for both the unit owners and manager and prior to settlement you should undertake to have all management agreements reviewed and updated

in conjunction with the vendor and in accordance with the requirements of Property Occupations Act 2014 and regulations thereto.

During our visit to the vendor's premises we inspected a total of 192 management agreements held with current 192 letting pool unit owners these agreements were executed correctly.

A full summary of the management agreements sighted is included at **Appendix C**.

5.2 Commission and Management Fees

Charges per the POA form 6 agreements are varied and detailed in Appendix C attached as follows:

	Permanent
Commission	5% + GST
Management Fee	2.50% +GST
Letting Fee	1 week rent + GST
Re-letting Fee	1/2 week rent + GST

5.3 Lease Agreements and Tenancies

Of the 192 units in the permanent pool, current lease agreements are in place for all apartments.

Residential Tenancy Authority receipts were sighted for all files where we sighted current leases. We also confirmed bonds on the RTA report obtained at our request by the manager. We recommend you obtain a copy prior to this contract becoming unconditional to satisfy yourselves as to the current status of bonds for permanent tenants. .

See Appendix C for Full Details.

5.4 Trust Account Audit Report

We were provided with a copy of the Trust Account Audit Report undertaken by Byrne and Milller Accountants for the year ended 31ST October 2018. No qualifications exist.

You should ensure that an adequately qualified accountant is engaged to undertake the trust account audit. **Our practice is appropriately qualified to take on this type of engagement should you wish us to do so.**

5.5 Body Corporate Agreement

You should have your solicitors examine the Agreement so that they can advise you of your rights and obligations under same and ensure it does not place you in a detrimental position.

We have not read the body corporate minutes, however we have read the caretaking agreement.

We have not contacted the Body Corporate Managers to discuss future repairs to the building, adequacy of the sinking fund or the current state of repair of the building. We recommend you contact the Body Corporate Managers to discuss these issues further they will directly impact your ability to market the complex.

6.0 OTHER MATTERS FOR CONSIDERATION

6.1 Relief Management

No provision for relief management has been made in the Profit and Loss Statement for sales purposes as this is usually considered an optional expense. We recommend you consider your personal requirements in regard to this matter and make provisions for this as part of cash flow planning where appropriate.

6.2 Plant and Equipment

We suggest you review the detailed listing of plant and equipment in the contract and satisfy yourselves as to the accuracy, functionality and quality of times included therein. Where plant and equipment included in the purchase are under finance, your solicitor should ensure that you obtain clear title to these items.

7.0 SUMMARY

With reference to our comments above, the adjusted net profit for Waterpoint Apartments is \$1,144,823 for the 12 months ended 30th September 2020 before wages attributable to a competent two person management team.

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

We thank you for your instructions in this matter and will be available to discuss any queries you may have regarding this report.

Yours faithfully
Managed Right Pty Ltd



Damien Moffrey
Certified Practising Accountant



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Managed Right Pty Ltd
ABN:- 83 617 207 173

Waterpoint Management Pty Ltd

Appendix A - Adjusted Profit & Loss

for the year ending
October 2019 To September 2020

Account Name	Forecast October	Forecast November	Forecast December	Forecast January	Forecast February	Forecast March	Forecast April	Forecast May	Forecast June	Forecast July	Forecast August	Forecast September	Total
Income													
Canteaking Fee	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$1,061,280.11
Letting Fee- Existing	\$5,405.91	\$3,478.18	\$5,423.27	\$3,508.35	\$7,237.59	\$5,111.00	\$3,982.73	\$18,337.88	\$2,797.74	\$5,563.67	\$19,763.29	\$2,331.76	\$82,941.57
Advertising Recovered	\$0.00	\$0.00	\$2,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,980.00
Other Income	\$1,276.70	\$655.56	\$2,305.56	\$2,335.74	\$1,258.38	\$2,225.82	\$1,893.86	\$2,256.94	\$582.17	\$1,109.82	\$562.37	\$633.49	\$17,093.41
Recoverable Outgoings	\$9,167.81	\$9,956.55	\$20,474.13	\$6,796.32	\$7,935.60	\$4,910.80	\$4,177.34	\$7,935.21	\$4,910.05	\$4,120.55	\$3,570.26	\$3,580.59	\$88,129.21
Property Mgmt Fee- Existing	\$22,155.97	\$22,399.92	\$5,577.54	\$22,621.25	\$19,372.73	\$21,375.28	\$24,130.57	\$18,337.88	\$26,860.69	\$23,832.55	\$1,1074.09	\$24,483.07	\$242,821.54
Total Income	\$126,447.23	\$124,931.05	\$124,221.34	\$123,701.50	\$124,245.14	\$122,663.74	\$122,622.34	\$136,003.75	\$123,491.49	\$125,057.63	\$123,410.85	\$119,469.75	\$1,396,265.94
Less Cost Of Sales													
Accounting	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,000.00
Advertising/Marketing	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$7,164.00
Auditing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,500.00
Paid outgoings recovered	\$2,930.99	\$1,028.57	\$2,451.99	\$2,659.31	\$854.55	\$342.73	\$794.77	\$2,330.91	\$3,508.51	\$3,894.69	\$3,062.13	\$541.26	\$24,600.41
Bank Fees	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$1,140.00
Cleaning Expenses	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$132,000.00
Licence Fees	\$0.00	\$0.00	\$0.00	\$1,738.72	\$0.00	\$154.55	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,894.27
General Repairs & Maintenance	\$3,896.54	\$3,119.82	\$3,779.32	\$8,558.87	\$200.00	\$3,014.11	\$5,313.98	\$4,100.45	\$7,068.08	\$1,287.95	\$0.00	\$351.12	\$40,691.24
Printing	\$0.00	\$0.00	\$0.00	\$980.25	\$996.91	\$1,154.24	\$0.00	\$0.00	\$830.25	\$0.00	\$0.00	\$830.25	\$5,622.15
Computer Expense	\$0.00	\$0.00	\$1,987.27	\$0.00	\$0.00	\$0.00	\$0.00	\$1,984.55	\$830.25	\$0.00	\$830.25	\$53.90	\$4,845.97
Motor Vehicle	\$86.67	\$86.67	\$86.67	\$86.67	\$86.67	\$86.67	\$86.67	\$86.67	\$86.67	\$86.67	\$86.67	\$86.67	\$1,040.00
Property Manager Wages	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$58,500.00
Reception Wages	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$45,000.00
Superannuation	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$9,315.00
Workover	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$3,380.00
Stationery & Office Supplies	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$4,380.00
Subscriptions	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$4,200.00
Telephone Expenses	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$2,160.00
Total Cost Of Sales	\$29,184.95	\$26,505.81	\$30,556.00	\$36,496.57	\$24,408.88	\$27,023.05	\$28,466.17	\$31,613.58	\$33,764.26	\$27,540.06	\$26,249.80	\$29,633.95	\$351,443.04
Net Profit	\$97,262.29	\$98,425.25	\$93,665.35	\$87,204.94	\$99,836.27	\$95,640.70	\$94,156.18	\$104,390.18	\$89,727.24	\$97,517.58	\$97,161.06	\$89,835.81	\$1,144,822.80
Adjusted Management Rights Net Profit	\$97,262.29	\$98,425.25	\$93,665.35	\$87,204.94	\$99,836.27	\$95,640.70	\$94,156.18	\$104,390.18	\$89,727.24	\$97,517.58	\$97,161.06	\$89,835.81	\$1,144,822.80

This report is prepared by Managed Right and is to be read in conjunction with the attached verification report

Appendix B - Profit & Loss [Multi-Period]

October 2019 To September 2020

Account Name	Forecast October	Forecast November	Forecast December	Forecast January	Forecast February	Forecast March	Forecast April	Forecast May	Forecast June	Forecast July	Forecast August	Forecast September	Total
Income													
Caretaking Fee	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$88,440.84	\$1,061,290.11
Letting Fee	\$5,405.91	\$3,478.18	\$5,423.27	\$3,508.35	\$7,237.59	\$3,423.27	\$3,982.73	\$18,337.88	\$2,797.74	\$5,563.87	\$19,763.29	\$2,331.76	\$82,941.57
Advertising Recovered	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,990.00
Other Income	\$1,276.70	\$655.56	\$2,305.56	\$2,335.74	\$1,256.38	\$2,225.82	\$1,890.86	\$2,256.94	\$582.17	\$1,109.82	\$562.37	\$633.49	\$17,093.41
Recoverable Outgoings	\$9,167.81	\$9,956.55	\$20,474.13	\$6,795.32	\$7,935.60	\$4,910.80	\$4,177.34	\$8,630.21	\$4,810.05	\$4,120.55	\$3,570.26	\$3,580.59	\$68,126.21
Property Mgmt Fee	\$22,155.97	\$22,399.92	\$5,577.54	\$22,621.25	\$19,372.73	\$21,975.28	\$24,130.57	\$18,337.88	\$26,860.69	\$23,832.55	\$11,074.09	\$24,483.07	\$242,821.54
Total Income	\$126,447.23	\$124,931.05	\$122,221.34	\$123,701.50	\$124,245.14	\$122,663.74	\$122,622.34	\$136,003.75	\$123,491.49	\$125,057.63	\$123,410.85	\$119,469.75	\$1,494,265.84
Cost Of Sales													
Accounting	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,000.00
Advertising/Marketing	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$597.00	\$7,164.00
Auditing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,200.00
Paid outgoings recovered	\$2,930.99	\$1,028.57	\$2,451.99	\$2,859.31	\$854.55	\$342.73	\$794.77	\$2,330.91	\$3,508.51	\$3,894.69	\$3,062.13	\$541.26	\$24,600.41
Bank Fees	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$1,140.00
Cleaning Expenses	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$11,000.00	\$132,000.00
Licence Fees	\$498.10	\$445.55	\$0.00	\$1,739.72	\$589.52	\$154.55	\$1,191.00	\$0.00	\$0.00	\$0.00	\$0.00	\$708.23	\$5,326.67
General Repairs & Maintenance	\$3,896.54	\$3,119.82	\$3,779.32	\$8,559.87	\$200.00	\$3,014.11	\$5,313.98	\$4,100.45	\$7,088.08	\$1,287.95	\$0.00	\$351.12	\$40,891.24
Printing	\$0.00	\$0.00	\$0.00	\$980.25	\$996.91	\$1,154.24	\$0.00	\$830.25	\$830.25	\$0.00	\$0.00	\$830.25	\$5,622.15
Computer Expense	\$0.00	\$0.00	\$1,967.27	\$0.00	\$0.00	\$0.00	\$0.00	\$1,994.55	\$0.00	\$0.00	\$830.25	\$53.90	\$4,845.97
Property Manager Wages	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$4,875.00	\$58,500.00
Reception Wages	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$45,000.00
Superannuation	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$776.25	\$9,315.00
Workcover	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$282.50	\$3,390.00
Stationery & Office Supplies	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$365.00	\$4,380.00
Subscriptions	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$4,200.00
Telephone Expenses	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$180.00	\$2,160.00
Total Cost Of Sales	\$29,596.38	\$26,864.69	\$30,469.33	\$36,409.90	\$24,911.73	\$26,936.38	\$29,570.50	\$31,526.91	\$33,677.59	\$27,453.39	\$26,163.13	\$28,955.51	\$352,535.44
Gross Profit	\$96,850.85	\$98,066.36	\$91,752.01	\$87,291.60	\$99,333.41	\$95,727.36	\$93,051.84	\$104,476.84	\$89,813.90	\$97,604.24	\$97,247.72	\$90,514.24	\$1,141,730.40
Net Profit/(Loss)	\$96,850.85	\$98,066.36	\$91,752.01	\$87,291.60	\$99,333.41	\$95,727.36	\$93,051.84	\$104,476.84	\$89,813.90	\$97,604.24	\$97,247.72	\$90,514.24	\$1,141,730.40

These figures have been prepared by Elkhorn Administration Pty Ltd and should be read in conjunction with the attached verification report

APPENDIX C - POA form 6 Details

Reference	File As	owner sign	agent signed	let fee	commission	management fee	Repairs	advert	admin	let renewal	water meter reading	tenancy a signed	bond rec	Sundry Fee	Categories
1103	Wei Huang	signed	signed	1wk + GST	5% incl GST	2.7% incl GST	10% inv over \$1000	\$50.00	\$0.00	\$0.00	\$0.00	8/12/2019	y	\$0.00	On Site Management
1106	DONG	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	28/09/2020	y	\$2.50	On Site Management
1108	RANA & KHAN	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	5/07/2019	y	\$2.50	On Site Management
1109	GHIAT	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$22.00	2/12/2019	y	\$0.00	On Site Management
1201	ZM JELINIC PROPERTY CAPITAL ATF	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	15/03/2019	y	\$2.50	On Site Management
1204	Tang	signed	signed	1wk + GST	5% incl GST	2.7% incl GST	10% inv over \$1000	\$50.00	\$0.00	\$0.00	\$0.00	8/06/2019	y	\$0.00	On Site Management
1207	KHAN	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	3/03/2019	y	\$2.50	On Site Management
1208	GOULLET	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	26/11/2019	y	\$2.50	On Site Management
1302	SHENG	signed	signed	1wk + GST	5% incl GST	2.7% incl GST	10% inv over \$1000	\$50.00	\$0.00	\$0.00	\$0.00	3/04/2019	y	\$2.75	On Site Management
1304	YAP	signed	signed	1wk + GST	5% incl GST	2.7% incl GST	10% inv over \$1000	\$200.00	\$5.50	\$0.00	\$0.00	19/08/2019	y	\$2.50	On Site Management
1308	OU	signed	signed	1wk + GST	5% incl GST	2.2% incl GST	10% inv	\$0.00	\$5.50	1/2 wk+ GST	\$0.00	14/10/2019	y	\$5.00	On Site Management
1309	WEI	signed	signed	1wk + GST	4% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	22/08/2019	y	\$2.50	On Site Management
1402	ZLATEVSKI	signed	signed	1wk + GST	4.4% inclu GST	2.2% incl GST	10% inv over \$1000	\$100.00	\$5.50	1/2 wk+ GST	\$0.00	4/10/2019	y	\$0.00	On Site Management
1408	Raptis Group Pty Ltd	signed	signed	1wk + GST	5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	31/07/2018	y	\$5.00	On Site Management
1502	HUNG	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$22.00			\$2.50	On Site Management
1506	CHEN	signed	signed	1wk + GST	5% incl GST	2.7% incl GST	10% inv over \$1000	\$50.00	\$5.50	1/2 wk+ GST	\$0.00			\$0.00	On Site Management
1507	ZHANG	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$22.00	25/04/2019	y	\$2.50	On Site Management
1601	QIAN	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$22.00	16/11/2019	y	\$2.50	On Site Management
1605	YAN	signed	signed	1wk + GST	3.5% incl GST	2.00% incl GST	0.00%	\$0.00	\$0.00	1/2 wk+ GST	\$0.00			\$0.00	On Site Management
1606	IMANIAN	signed	signed	1wk + GST	3.5% incl GST	0	0	0	\$5.50	0	0	9/06/2019	y	\$0.00	On Site Management
1607	WANG	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$22.00	14/01/2020	y	\$2.50	On Site Management
1608	ZHANG	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	18/06/2018	y	\$2.50	On Site Management
1609	ZHONG	signed	signed	1wk + GST	5% incl GST	2.7% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	19/09/2019	y	\$2.50	On Site Management
1701	PAN	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$22.00	8/03/2019	y	\$2.50	On Site Management
1705	XIA	signed	signed	1wk + GST	3.5% incl GST	2.00% incl GST	0.00%	\$0.00	\$0.00	1/2 wk+ GST	\$0.00	29/12/2019	y	\$0.00	On Site Management
1706	Waterpoint Management	signed	signed	1wk + GST	4.4% incl GST	2.2% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	30/05/2019	y	\$5.00	On Site Management
1707	LIU	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$22.00	1/09/2019	y	\$2.50	On Site Management
1801	QIANG	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$22.00	4/01/2019	y	\$2.50	On Site Management
1802	Chi	signed	signed	1wk + GST	4.4% incl GST	2.2% incl GST	10% inv over \$1000	\$0.00	\$5.50	1/2 wk+ GST	\$0.00			\$5.00	On Site Management
1806	REED	signed	signed	\$0.00	4.75% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	\$0.00	\$22.00	28/05/2019	y	\$2.50	On Site Management
1807	LaPALOMBARA	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$22.00	29/06/2019	y	\$2.50	On Site Management
1809	YU	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$22.00	22/02/2018	y	\$2.50	On Site Management
1901	LOKE	signed	signed	1wk + GST	5.0% incl GST	2.7% incl GST	10% inv over \$1000	\$50.00	\$0.00	1/2 wk+ GST	\$0.00	11/08/2019	y	\$0.00	On Site Management
1904	NARGIS	signed	signed	1wk + GST	5.5% incl GST	2.2% incl GST	10% inv over \$1000	\$100.00	\$5.50	1/2 wk+ GST	\$0.00	14/03/2020	y	\$2.50	On Site Management
1906	LU	signed	signed	1wk + GST	5.2% incl GST	2.5% incl GST	10% inv over \$1000	\$50.00	\$0.00	\$0.00	\$22.00	24/09/2019	y	\$0.00	On Site Management
1907	B Still Property Trust	signed	signed	1wk + GST	5% incl GST	2.7% incl GST	10% inv over \$1000	\$150.00	\$5.50	1/2 wk+ GST	\$0.00	4/10/2019	y	\$2.50	On Site Management
1908	DRIEL	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00			\$2.50	On Site Management
2107	Tenika	signed	signed	1wk + GST	4.4% incl GST	2.2% incl GST	10% inv over \$1000	\$0.00	\$5.50	1/2 wk+ GST	\$0.00			\$5.00	On Site Management
2109	CHEN	signed	signed	1wk + GST	4.4% incl GST	2.2% incl GST	10% inv over \$1000	\$100.00	\$5.50	1/2 wk+ GST	\$0.00	3/03/2019	y	\$2.50	On Site Management
2110	ABRAHAMS	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	15/09/2019	y	\$2.50	On Site Management
2201	CHEN	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$0.00	\$0.00	1/2 wk+ GST	\$0.00	5/07/2019	y	\$0.00	On Site Management
2202	FORTIS AUSTRALIA HOLDINGS Pty Ltd	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	20/12/2019	y	\$5.00	On Site Management
2204	WAN	signed	signed	1wk + GST	5.5% incl GST	2.2% incl GST	10% inv over \$1000	\$0.00	\$5.50	\$0.00	\$0.00	7/06/2019	y	\$2.50	On Site Management
2205	HUANG	signed	signed	1wk + GST	5.5% incl GST	2.2% incl GST	10% inv over \$1000	\$0.00	\$5.50	\$0.00	\$0.00	3/04/2019	y	\$2.50	On Site Management
2207	CLAYDON	signed	signed	1wk + GST	5.5% incl GST	1.1% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	10/04/2019	y	\$2.50	On Site Management
2301	Wu	signed	signed	1wk + GST	5.5% incl GST	2.2% incl GST	10% inv over \$1000	\$0.00	\$5.50	\$0.00	\$0.00	18/06/2019	y	\$2.50	On Site Management
2307	HONG	signed	signed	1wk + GST	4.4% incl GST	2.2% incl GST	0.00%	\$200.00	\$5.50	\$0.00	\$0.00	24/04/2019	y	\$5.00	On Site Management
2309	POPIN	signed	signed	1wk + GST	5.5% incl GST	2.2% incl GST	10% inv over \$1000	\$0.00	\$5.50	\$0.00	\$0.00	5/04/2019	y	\$5.00	On Site Management
2310	GIM	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	11/02/2020	y	\$2.50	On Site Management
2401	HUANG	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	24/07/2020	y	\$2.50	On Site Management
2403	Li SHUMIN	signed	signed	1wk + GST	3.3% incl GST	2.2% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	18/08/2019	y	\$2.50	On Site Management
2406	WANG	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	8/03/2019	y	\$2.50	On Site Management
2407	ZOU	signed	signed	1wk + GST	3.5% incl GST	2.0% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	2/08/2019	y	\$2.50	On Site Management
2408	FUCHS	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	31/10/2019	y	\$2.50	On Site Management
2409	WANG	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	8/09/2019	y	\$2.50	On Site Management
2501	HAN	signed	signed	1wk + GST	4.4% incl GST	2.2% incl GST	10% inv over \$1000	\$0.00	\$0.00	\$0.00	\$0.00	20/03/2019	y	\$0.00	On Site Management
2505	RUAN	signed	signed	1wk + GST	5.5% incl GST	2.2% incl GST	10% inv over \$1000	\$0.00	\$5.50	\$0.00	\$0.00	12/01/2019	y	\$2.50	On Site Management
2508	FERRERIA	signed	signed	1wk + GST	4.4% incl GST	2.2% incl GST	10% inv over \$1000	\$0.00	\$5.50	\$0.00	\$0.00	12/10/2019	y	\$0.00	On Site Management
2601	Zhu	signed	signed	1wk + GST	4.4% incl GST	1.1% incl GST	10% inv over \$1000	\$200.00	\$5.50	\$0.00	\$0.00	3/06/2019	y	\$5.00	On Site Management
2602	Bau Kim HONG; Van Hung LE	signed	signed	1wk + GST	5.5% incl GST	2.75% incl GST	10% inv over \$1000	\$200.00	\$5.50	1/2 wk+ GST	\$0.00	5/08/2019	y	\$5.00	On Site Management

Appendix D – Peer Review Letter



Andrea De Cain
Grant Thornton Corporate Finance Pty Ltd
17/383 Kent Street
Sydney NSW 2000

My Ref: 80744

31st March 2020

Dear Sir

Peer Review as at 31 March 2020 of the “Waterpoint Residences” Manager’s Units and Management and Letting Rights Valuation Report.

I have reviewed the Valuation report prepared by Australian Valuers dated 15 January 2020 and the Verification report prepared by Damien Moffrey of “Managed Right Pty Ltd” dated 19 December 2019. I have undertaken a Peer Review of the Valuation Report to be presented with your Independent Experts Report for a meeting of members of Raptis Group Limited.

Intended Parties

Grant Thornton Corporate Finance Pty Ltd and the meeting of Raptis Group Limited for Internal Reporting Purposes.

State of the Market – Current Market Uncertainty

At the request of and to assist the members of Raptis Group Limited in a General Meeting of Shareholders I provide the following comments regarding the current state of the market given the unknown impact that the current COVID-19 outbreak will have on the Australian real estate market.

The market that the Management Rights and associated assets are valued in 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 this letter I consider that there is a market uncertainty resulting in significant valuation uncertainty, notwithstanding the further lowering of the Cash Rate and the injection of significant Government stimulus.

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My peer review is current at the date of the review 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). I do not accept responsibility or liability for any losses arising from such subsequent changes in value.

Given the valuation uncertainty noted, I recommend that the readers of this advice review the valuation periodically.

Indicative Assessment Calculations and Commentary

Managers Lots (Lot 1 & Lot 2): There is market speculation that property values will be impacted by 10% to 20% which could result in a decrease of \$16,000 - \$32,000 to the combined Manager's Office Lots valued at **\$160,000** as at 15 January 2020. However I have made no adjustment to the estimated value of the associated assets (Manager's Office Lots) at this point in time as this is considered to be a relatively low value and forms a very small portion of the overall asset value. It is also an essential ownership requirement for the operation of the management rights business.

Management and Letting Rights Business: The table below provides a revised market estimation of the MLR component at this point in time taking into consideration the effect of the global COVID-19 pandemic at this early stage in Australia. My review has resulted in a reduced indicative assessment of **\$5,850,000** for the business, based on multiplier of **5.8 times**.

Management and Letting Rights estimation workings:

	15 January 2020 Valuation	31 March 2020 Review	
Caretaking component (Buildings 1-5)	1,061,290	1,061,290	
Commission & Management Fees (Buildings 1-4)	242,822	213,683	
Letting Relet Fees	82,942	41,471	
Admin Income	17,093	17,093	
Repairs & Maintenance	22,838	22,838	
Total	1,426,984	1,356,374	5% estimated decrease
Less Operating Expenses	316,943	348,637	10% estimated increase
Net Operating Profit	1,110,041	1,007,737	9% overall decrease
Risk Multiplier	6.3	5.8	
Estimated MLR Value	\$ 6,990,000	\$ 5,850,000	

With regard to the Income and Expense amounts in the table above my comments are as follows:

- No changes made to Caretaking component as this is considered a fixed amount.
- The Letting component is at a relatively low level when compared to other similar buildings as per table 6.2.3 of the valuation. This is a variable component and excludes the Body Corporate Salary. In appreciation of current factors I have made a vacancy adjustment of **8 weeks** rather than the adopted 2 weeks vacancy in the valuation report and **halved** the Letting Fees due to the 6 month prohibition on tenants requiring to vacate. My adjustments have resulted in a **22% decrease** to current Management and Letting Commission income.
- Operating expenses are **increased by a 10%** margin to reflect higher working costs and standard of cleaning required during the current health crisis.
- My adjustments results in a circa **9% decrease** overall to the estimated Net Operating Profit.

The multiplier adopted in the valuation dated 15 January or 6.3 times has been **reduced by 0.5 to 5.8 times**. This is considered to reflect:

- The current uncertainty of the **strength of the MLR market** (reduced capital of potential MLR buyers and buyer appetite).
- The **vacancy rates** and **rental rates** which could potentially be affected by a large number of holiday let units entering the permanent letting pool due to reduction in tourism on the Gold Coast in the short to medium term. I make note that the subject complex is located within a suburban area however is not far from adjoining suburbs which have significant amount of holiday let units. This may impact vacancy rates and achievable rental rates for a year or more
- The overall uncertainty of the economic climate in the short to medium term.

In the long term however I consider "Waterpoint Residences" to be an attractive asset with potential for upside as it becomes more established. It is well located to local amenities, industrial and commercial hubs and major thoroughfares. Future upside includes: increasing the letting pool (particularly from Building 5 of which the valuation had not included any letting income due to its recent completion however I expect a future upside of say 40 units in the letting pool), increasing management fees which are currently towards the lower end of industry averages and ancillary income as the business continues become more established (eg repairs and maintenance). This is a particularly attractive asset class in an uncertain property market.

Conclusion

After taking all relevant factors carefully into consideration (in particular the current market uncertainty changing on a daily basis) at current date I hold the view that the combined indicative market assessment of Waterpoint Residences Manager's Lots and the Management and Letting Rights Business would be:

\$6,010,000 (Six Million and Ten Thousand Dollars).

Comprising as follows:

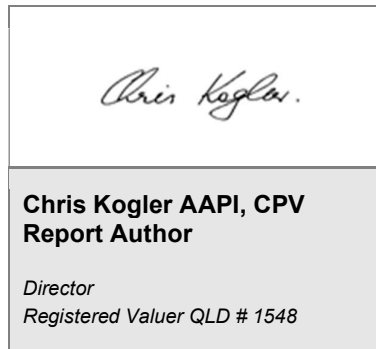
Manager's Lots (Lots 1 & 2): \$160,000 (One Hundred and Sixty Thousand Dollars)

Management and Letting Rights: \$5,850,000 (Five Million Eight Hundred and Fifty Thousand Dollars)

This peer review may only be relied upon by Grant Thornton Corporate Finance Pty Ltd and the meeting of Raptis Group Limited for Internal Reporting Purposes. No responsibility is accepted or assumed to any third party without my express written agreement.

If you have any queries regarding this matter, please contact my office.

PROPERTY AND HOSPITALITY VALUATIONS PTY LIMITED



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Documents Reviewed:

1. Australian Valuers Report dated 15 January 2020
2. Management Right Pty Ltd Verification Report dated 19 December 2019

Qualifications and Limitations

The valuer is a properly qualified and licensed and has had at least 5 years continuous experience in Valuation and has had experience in valuing property of the same nature of the property which is subject to this Peer Review. The valuer is an Associate of the Australian Property Institute.

The Valuer and Property and Hospitality Valuations (PHV) confirm that they have no pecuniary interest in the said property, past, present or prospective and the opinion expressed is free of any bias in this regard. The company warrants under the provisions of Section 74 of the Trade Practices Act, that this advice has been prepared in accordance with the instructions issued, however, the quantum of value cannot form part of the warranty being related to prevailing market conditions and ethical opinion.

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This Peer Review is conducted on the basis that I am not engaged to carry out all possible investigations in relation to the property. I have, however identified certain limitations to our investigations to enable you to instruct further investigations if you consider this appropriate. Property and Hospitality Valuations (PHV) are not liable for any loss occasioned by a decision not to instruct further investigations.

This document contains a significant volume of information, which is directly derived from other sources, without verification by us including, but not limited to tenancy schedules, planning documents, other expert reports, discussions with Sales Agents and on line sources of property Information, notably 'RP Data'

Further, the information is not adopted by Property and Hospitality Valuations (PHV) as our own, even where it is used in our calculations. Where the content of this document has been derived, in whole or in part, from external sources, Property and Hospitality Valuations (PHV) cannot warrant or represent that such information is accurate or correct.

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Reliance on this advice should only be taken upon sighting the original document that has been signed by the Valuer / Director of Property and Hospitality Valuations (PHV).

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