

Dear Shareholder

Mediland Pharm Limited Extraordinary General Meeting 2021

On behalf of the Board of Directors, I am pleased to invite you to attend the **Extraordinary General Meeting (EGM)** of the shareholders of Mediland Pharm Limited which will be physically held at Holiday Inn Parramatta, 18-40 Anderson Street, Parramatta NSW 2150 at 11.00 am AEST on Thursday, 29 April 2021.

The EGM is being called to put forward resolution to acquire 100% ordinary shares in Ixora Investments Pty Ltd (Ixora). Ixora owns the Heartland Ambassador Hamilton Hotel in New Zealand. Ixora is currently owned by Premier Hospitality Management. Executive Director of Mediland, Mr Jhon Shen is the beneficial owner of Premier Hospitality and Managing Director of Mediland, Mr Yeshween Mudaliar is the sole director of Premier Hospitality Management, hence a majority vote of non-associated shareholders is required under LR 10.1 to approve the **Proposed Transaction**. Please review the Notice of the Meeting and the Explanatory Memorandum as it contains detailed information about the proposed transaction for the shareholders. If you are in doubt as to how to deal with the Explanatory Memorandum, please consult your legal, financial and taxation or professional adviser.

The Mediland directors are recommending to all shareholders to vote in **FAVOUR** of the resolution to acquire the Hamilton Hotel.

For those who are considering attending in person, the hotel is registered as a COVID safe venue with the NSW Government. As such the hotel adheres to a COVID 19 Safety Plan as developed under NSW Government Guidelines. Therefore, restrictions will apply to mitigate the spread of COVID-19 (for example social distancing). If you are planning to attend the AGM physically, please **pre-register** to attend **five business days prior** to the meeting.

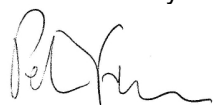
Hard copies of the **Notice of the EGM** (the **Notice**) are being mailed to shareholders. The Notice of the EGM can also be viewed and downloaded at <https://www.medilandpharm.com.au/shareholder-information/> and the Company's announcement page on ASX: [Announcements \(asx.com.au\)](https://www.asx.com.au/announcements) (use "MPH").

If you are unable to attend the meeting physically, we ask you to submit your voting instructions online at www.investorvote.com.au. Alternatively complete your proxy forms which should be returned to our share registry in the envelope provided or by facsimile on 03 9473 2555 so that it is received by 11.00 am AEST on Tuesday, 27 April 2021.

For all enquiries regarding the Notice of Meeting, your holding of Shares, change of address or other registry matters, please contact Computershare 1300 850 505 (for callers within Australia) and +61 (0)3 9415 4000 (for callers outside Australia).

I look forward to your attendance at the meeting or receiving your voting instructions as soon as possible.

Yours sincerely



Dr Peter French
Chairman

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MEDILAND PHARM LIMITED
ABN 83 628 420 824

NOTICE OF EXTRAORDINARY GENERAL MEETING
AND
EXPLANATORY STATEMENT

Date of Meeting: 29 April 2021
Time of Meeting: 11.00 am AEST
Place of Meeting: Holiday Inn Parramatta,
18-40 Anderson Street, Parramatta NSW 2150

This Notice of Extraordinary General Meeting and Explanatory Statement should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor, or other professional adviser prior to voting.

Should you wish to discuss the matters in this notice of Extraordinary General Meeting, please do not hesitate to contact Indira Naidu (Company Secretary) by e-mail at Indira.naidu@medilandpharm.com.au.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purposes of ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction subject of Resolution 1 to the non-associated Shareholders. The Independent Expert has determined the transaction, subject to Resolution 1 is **Fair** and **Reasonable**.

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MEDILAND PHARM LIMITED
ABN 83 628 420 824
NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the Extraordinary General Meeting of Mediland Pharm Limited (“**Mediland**” or “**the Company**”) will be held at Holiday Inn Parramatta, 18-40 Anderson Street, Parramatta NSW 2150 at 11.00 am (AEST) on Thursday, 29 April 2021, to conduct business set out in this Notice.

The Explanatory Statement which accompanies, and forms part of this Notice of Meeting describes the matter to be considered and contains a glossary of defined terms that are not defined in full in this Notice of Meeting. The Explanatory Statement, the Schedules noted above, and the Proxy Form are part of this Notice.

Meeting will be held physically, however pre-registration is mandatory to ensure a COVID safe environment is provided to the Shareholders.

If you have been nominated as a third-party proxy, for any enquiries relating to the virtual participation, please contact the Company’s Share Registry on 1300 850 505 (for callers within Australia) and +61 (0)3 9415 4000 (for callers outside Australia).

If it becomes necessary to make further alternative arrangements for holding the Meeting, the Company will ensure that shareholders are given as much notice as possible. Further information and guidance will be made available on the Company’s website at <https://www.medilandpharm.com.au/shareholder-information/> and via the ASX market announcements page (ASX Code: MPH).

BUSINESS OF THE MEETING

AGENDA

RESOLUTION 1 – Approval of acquisition of Heartland Ambassador Hamilton Hotel

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

“That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to enter into a sale purchase agreement to acquire 100% of shares in Ixora Investments Pty Ltd, on the terms and conditions summarised in the Explanatory Memorandum accompanying the Notice of Meeting.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of Mr Jhon Shen and Mr Yeshween Mudaliar and any of their associates (as defined in the ASX Listing Rules), regardless of the capacity in which the vote is cast.

However, the Company will not disregard a vote cast in favour of the Resolution if:

- A person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- The Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

A holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- The beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- The holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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MEDILAND PHARM LIMITED
ABN 83 628 420 824
NOTICE OF EXTRAORDINARY GENERAL MEETING

OTHER BUSINESS

To transact any other business that may be lawfully brought forward in accordance with the Constitution of the Company, the *Corporations Act* and the ASX Listing Rules.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Indira Naidu', is enclosed within a hand-drawn oval shape.

Indira Naidu
Company Secretary
26 March 2021

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MEDILAND PHARM LIMITED
ABN 83 628 420 824
NOTICE OF EXTRAORDINARY GENERAL MEETING (continued)

NOTES

YOUR VOTE

The business of Extraordinary General Meeting affects your shareholding, and your vote is important.

WHO MAY VOTE

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Company (as convenor of the Meeting) has determined that a person's entitlement to attend and vote at the Meeting and any adjourned meeting will be those persons set out in the register of Shareholders as at 7 pm (AEST) on 27 April 2021. This means that any Shareholder registered at 7 pm (AEST) on 27 April 2021 is entitled to attend and vote at the Meeting.

VOTING IN PERSON

To vote in person, attend the Extraordinary General Meeting on the date and at the place set out above.

VOTING ONLINE

If you are unable to attend the meeting, we encourage you to submit your vote online at www.investorvote.com.au. For intermediary online subscribers only (custodians) www.intermediaryonline.com.

PROXIES

A shareholder entitled to vote is entitled to appoint a proxy to attend and vote instead of the stakeholder. A suitable proxy form accompanies this Notice of Extraordinary General Meeting.

A proxy need not be a shareholder.

If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of the votes which each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes each proxy

may exercise, each proxy may exercise half of the votes held by that Shareholder.

Where two proxies are appointed, any fractions of votes resulting from the appointment of two proxies will be disregarded.

A Proxy Form accompanies this Notice. Unless the Shareholder specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.

If a Shareholder wishes to appoint a proxy, the Shareholder should complete the Proxy Form and comply with the instructions set out in that form relating to lodgement of the form with the Company.

The Proxy Form must be signed by the Shareholder or his or her attorney duly authorised in writing or, if the Shareholder is a corporation, either signed by an authorised officer or attorney of the corporation or otherwise signed in accordance with the *Corporations Act*.

If any attorney or authorised officer signs the Proxy Form on behalf of a Shareholder, the relevant power of attorney or other authority under which it is signed or a certified copy of that power or authority must be deposited with the Proxy Form.

The Proxy Form (together with any relevant authority) must be received by no later than 11 am (AEST) on 27 April 2021 before the time scheduled for the commencement of the meeting (or any adjournment of that meeting).

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MEDILAND PHARM LIMITED

ABN 83 628 420 824

NOTICE OF EXTRAORDINARY GENERAL MEETING (continued)

NOTES (continued)

The completed Proxy Form must be delivered to Computershare Investor Services Pty Limited, either:

- By facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).
- By post to GPO Box 242, Melbourne, VIC 3001; or
- By delivery to Level 3, 60 Carrington Street
- **Not less than 48 hours prior to the meeting. Proxy Forms received later than this time will be invalid.**

Shareholders are encouraged to submit their Proxy Forms Online ahead of the meeting. If you wish to post a Proxy Form, please be aware of current postal timeframes, including the possibility of delays due to COVID-19 regulations and reduced frequency of deliveries.

CORPORATE REPRESENTATIVE

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or

letter executed in accordance with the *Corporations Act* authorising him or her to act as that company's representative. The authority must be sent to the Company's Share Registry at least 24 hours in advance of the Meeting.

POLL

Voting will be determined by a poll during the Meeting. Shareholders not attending the Meeting may vote online or use the Voting Form enclosed with the EGM letter for those who have received this correspondence via the post before the deadline listed above.

SHAREHOLDER QUESTIONS

Shareholders can submit written questions ahead of the Meeting. To submit a written question, shareholders are encouraged to email ir@medilandpharm.com.au by no later than 21 April 2021 which is **five business days before the Meeting**. Questions should relate to matters that are relevant to the business of the meeting as outlined in the Notice of the Meeting.

Shareholders may also ask questions during the meeting.

RESULTS OF THE MEETING

Voting results will be announced on the Australian Securities Exchange as soon as practical after the Meeting.

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MEDILAND PHARM LIMITED

ABN 83 628 420 824

EXPLANATORY NOTES TO NOTICE OF EXTRAORDINARY GENERAL MEETING

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting be held at 18-40 Anderson Street, Parramatta NSW 2150 at 11.00 am AEST on Thursday, 29 April 2021.

This Explanatory Memorandum is to assist Shareholders in understanding the background to, and the legal and other implications of, the Notice and the reasons for the proposed resolutions. Both documents should be read in their entirety and in conjunction with each other.

Terms used but not defined in this Explanatory Memorandum have the meanings given to them in the Glossary.

1. Background

Ixora Investments Pty Ltd (Ixora) owns the Heartland Ambassador Hamilton Hotel in New Zealand. Ixora was registered in 2016 with the sole purpose of holding the Heartland Ambassador Hamilton Hotel in Hamilton New Zealand and acquired the freehold property in 2017.

Ixora is currently owned by Premier Hospitality Management (“Vendor”). Executive Director of Mediland, Mr Jhon Shen is the beneficial owner of Premier Hospitality Management and Mr Yeshween Mudaliar, Managing Director of Mediland pharm is the sole director of the Vendor.

The Company proposes to acquire 100% of ordinary shares in Ixora Investments Pty Ltd from the Vendor (“**Proposed Transaction**”).

The Company has undergone several changes operationally and financially since November 2019. Bushfires affected the second quarter results of 2020 financial year and then due to the Pandemic the Company had to close the doors of all four retail shops in February 2020. The Bushfires and the Pandemic have had a severe impact on the Company’s performance in the financial year 2020. The Pandemic continues to have a negative impact on the Company’s performance.

In response to the Australian Bushfires of 2019 and the Global Pandemic COVID-19, and the severe impact the Pandemic has on international inbound Chinese visitors and the core business of Mediland, the Board has prioritised initiatives to diversify revenue streams.

The Company entered contracts with local pharmacies to distribute Mediland branded products, launched its own App and applied additional resources to its online platforms to increase online revenue.

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MEDILAND PHARM LIMITED
ABN 83 628 420 824
EXPLANATORY NOTES TO NOTICE OF EXTRAORDINARY GENERAL MEETING
(Continued)

Further, three of the retail outlets entered into voluntary administration on 11 December 2020, these were:

- Darling Harbour Pty Ltd (Sydney store).
- St Wells Pty Ltd (Melbourne store); and
- Surfers Paradise Pty Ltd (Gold Coast store).

On 4 November 2020, the Company announced that the Board has recommended to consider acquisition of the Hamilton Hotel from Premier Hospitality (related party).

The Board of the Company established an Independent Committee (Due Diligence Committee) (**DDC**) to consider the Company's proposed transaction in relation to the acquisition of the Hamilton Hotel. The DDC comprises of the Independent Non-executive Director Tracey-Lee Cray (Chair of the DDC), Independent Board Chair Dr Peter French, Independent Non-executive Director Mr Theo Renard, and Independent Non-executive Director Mr Leo Cui.

Following an extensive due diligence process, robust risk assessment, forecast modelling and sensitivity analysis, the DDC has determined it to be in the best interest of the Company to enter into a share sale and purchase agreement to acquire the Hamilton Hotel. Amongst other things, the proposed transaction will diversify the Company's revenue base. Ownership of the hotel will provide access to domestic travellers in New Zealand with upside from international tourists when borders open.

The terms of the material terms of the proposed transaction are set out in Section 2 of this notice.

The DDC has concluded that the **proposed transaction** will diversify the Company away from reliance on international tourists (from mainland China) will secure a tangible asset (with development potential) to diversify and expand the Company's revenue streams. Despite the negative domestic and international environment, the Heartland Ambassador Hamilton Hotel has maintained occupancy rates throughout 2020 and the forecast for future occupancy is positive.

2. Material Terms

The material terms of the provisional share sale & purchase agreement are set out as follows:

The Conditions precedent which must be satisfied prior to the Company completing the proposed Acquisition (Completion) is that the Company must obtain any necessary shareholder approvals in a general meeting.

Shareholding	<ul style="list-style-type: none"> • Premier Hospitality Management Pty Limited is the only shareholder of Ixora Investments Limited and holds 164 shares. • The shares comprise of 100% of the issued shares in the Acquiree Company.
Purchase Price	<ul style="list-style-type: none"> • The purchase price payable for the 164 shares (100% of shares issued) will be \$A2,500,000.

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EXPLANATORY NOTES TO NOTICE OF EXTRAORDINARY GENERAL MEETING
(Continued)

Settlement/Repayment details	<ul style="list-style-type: none"> • A\$100,000 on the date of completion (subject to shareholders approval of proposed transaction in the General Meeting) – 29 April 2021 • A\$100,000 per month, commencing from completion date of Agreement (means \$200,000 repayment in the first month and A\$100,000 per month thereafter) • Repayment can be accelerated or decelerated at the request of the purchaser
Intended source of funds	<ul style="list-style-type: none"> • Intended source of funds will be from Mediland Pharm Limited and its controlled entities which will include operational cash flows from Ixora Investments Pty Ltd. The Company does not intend to raise funds.

3. Hamilton Hotel

The Hamilton Hotel comprises a 52-room hotel originally constructed in the 1970s with amenities including a café and bar, swimming pool, manager’s accommodation, guest laundry and ample on-site car parking.

During 2018 and 2019 the owners have completed a refurbishment of the property which included refurbishment and replacement of furniture fittings and equipment within the guest rooms, repainting of the exterior as well as replacement of the guest lift in the hotel block.

Scenic Hotel Group manages the Hotel on a day-to-day basis based on a Hospitality Management Agreement with Premier Hospitality. This Agreement will be revised subject to shareholders approval of the transaction to include Mediland Pharm as the owner and guarantor of the Property which is under mortgage with BNZ. The bank debt with BNZ is approx. NZD\$2.9m.

Independent valuation has been performed by CBRE Limited. The market value of the Hotel has been assessed as a freehold ‘going concern’ subject to existing management agreement. The fair value of the property has been determined to be NZ\$6.2 m (AUD\$5.76m).

The hotel is operating under a brand with strong regional representation around New Zealand. With a central Hamilton location, the hotel offers convenience to corporate and leisure travellers. Additionally, there are diversified accommodation options of both hotel and a motel block.

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EXPLANATORY NOTES TO NOTICE OF EXTRAORDINARY GENERAL MEETING
(Continued)

4. Reason Why shareholder approval is required

4.1 Listing Rule 10.1

Listing Rule 10.1 provides that a listed company must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of a substantial asset to:

- a) A related party
- b) A child entity
- c) A person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the Company
- d) An associate of a person referred to in Listing Rules 10.1.1. to 10.13.3 or
- e) A person whose relationship with the Company or a person referred to in the Listing rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the issue or agreement be approved by shareholders under the Listing Rule 10.1.

Substantial Asset

An asset is deemed to be substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interest of the entity as set out in the latest accounts provided to ASX under the listing Rules.

Related Party

A related party as defined in the ASX Listing Rules chapter 19 is an entity controlled by a body corporate and if the body corporate is controlled by an entity that is not a body corporate, the persons making up that entity. The directors of the body corporate of an entity that controls the body corporate are also related parties. Refer to section 4.2 which identifies all the related parties in the proposed transaction.

4.2 Application of Listing Rule 10.1

Mr Jhon Shen is an executive director of Mediland, therefore a related party to the Company and falls under LR 10.1.1. Premier Hospitality Management is an entity controlled by Mr Jhon Shen and therefore is an associate to Mr Jhon Shen. Thus, the counterparty of the intended agreement is a transaction with an associate of a related party of Mediland per LR 10.1.4.

The total equity interests of the Company as of 31 December 2020 (as contained in the Appendix 4D lodged with ASX on 26 February 2021, being the latest accounts provided to ASX under the Listing Rules), is \$11,898,945. 5% of the equity interests of the Company as of 31 December 2021 is \$594,947.

The **proposed transaction** is therefore considered as an acquisition of a substantial assets from a related party under LR 10.1.4. The Company is therefore seeking shareholder approval for the acquisition of the Hamilton Hotel for the purposes of Listing Rule 10.1.

MEDILAND PHARM LIMITED
ABN 83 628 420 824
EXPLANATORY NOTES TO NOTICE OF EXTRAORDINARY GENERAL MEETING
(Continued)

Resolution 1 seeks the required shareholder approval to the proposed transaction under and for the purposes of Listing Rule 10.1.

If the resolution is passed, The Company will be able to proceed with the proposed transaction and will proceed to finalise the share sale & purchase agreement and settlement details with the vendor. This will give Mediland access to an immediate new stream of revenue and a tangible asset with development potential.

If the resolution is not passed, The Company will not proceed with the proposed transaction and will continue operating its retail operations and the online business. However, the shops are currently closed and will remain closed and dependent on government sanctions on international travel and economical and political relationship with China, the retail inbound Chinese tourist business will remain uncertain.

Further, three of the retail outlets entered into voluntary administration on 11 December 2020, these were: Darling Harbour Pty Ltd (Sydney store), St Wells Pty Ltd (Melbourne store); and Surfers Paradise Pty Ltd (Gold Coast store).

5. Pro forma balance sheet

An unaudited pro-forma balance sheet of the Company following the completion of the proposed transaction is set out in Annexure A.

6. Independent Expert Report

Listing Rule 10.10 provides that the notice of the general meeting to obtain shareholder approval sought for the purpose of Listing Rule 10.1 must include a report on the proposed acquisition from an Independent Expert.

The Independent Expert's Report attached prepared by RSM sets out the detailed examination of the proposed acquisition to enable shareholders to assess its merits.

The independent Expert has concluded that the proposed acquisition of the Hamilton Hotel is **Fair** and **Reasonable** to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources and assumptions made.

MEDILAND PHARM LIMITED
ABN 83 628 420 824
EXPLANATORY NOTES TO NOTICE OF EXTRAORDINARY GENERAL MEETING
(Continued)

7. Indicative Timetable

Milestones	Date
ASX Announcement of Proposed Transaction	4 November 2020
Notice of Meeting despatched to Shareholders	26 March 2021
General Meeting to approve the proposed acquisition	29 April 2021
Completion date of conditional Share sale & Purchase Agreement	29 April 2021

8. Board Recommendation

The Board (other than Mr Yeshween Mudaliar and Mr Jhon Shen) recommends that **Shareholders vote in FAVOUR** of the Resolution.

Mr Yeshween Mudaliar and Mr Jhon Shen abstained from the due diligence process, voting on the resolution and engagement of the Independent Expert.

Mr Jhon Shen has a material interest in the proposed transaction and Mr Yeshween is the appointed director of Premier Hospitality Management.

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MEDILAND PHARM LIMITED
ABN 83 628 420 824
EXPLANATORY NOTES TO NOTICE OF EXTRAORDINARY GENERAL MEETING
(Continued)

Glossary of Terms

The following terms and abbreviations used in the Notice of Meeting and this Explanatory Statement have the following meanings:

"**AEST**" means Australian Eastern Standard Time.

"**Extraordinary General Meeting**" or "**Meeting**" means the Extraordinary General Meeting of Shareholders to be held at Holiday Inn Paramatta, 18-40 Anderson Street, Parramatta NSW 2150 on Thursday, 29 April 2021 at 11.00 am AEST or any adjournment thereof.

"**Associate**" has the meaning given to that term in sections 10 to 17 of the Corporations Act.

"**ASIC**" means the Australian Securities Investment Commission.

"**ASX**" means ASX Limited CAN 008 624 691, or the securities exchange conducted by ASX, as the context requires.

"**Board**" means the board of directors.

"**Chair**" means the person appointed to chair the Meeting convened by this Notice.

"**Closely Related Party**" has the meaning given to that term in section 9 of the *Corporations Act*.

"**Company**" or "**Mediland**" means Mediland Pharm Limited ABN 83 628 420 824.

"**Corporations Act**" means the *Corporations Act 2001* (Cth).

"**Directors**" means the directors of the Company, from time to time.

"**Due Diligence Committee**" means the Independent Board Committee established by the Board to consider the Company's Proposed Transaction. This Committee comprised all NEDs of the Company, including the Chief Financial Officer and Company Secretary of the Company.

"**Explanatory Memorandum**" means this Explanatory Memorandum as modified or varied by any supplementary Memorandum issued by the Company from time to time.

"**Financial Report**" means the financial report of the Company ended 30 June 2020 and attached to this Notice of Meeting.

"**Group**" means the Company and its controlled entities.

"**Independent Expert's Report**" means the independent expert's report prepared by RSM dated 17 March 2021 in relation to the acquisition of the Hamilton Hotel, attached as Attachment B.

"**Key Management Personnel**" or "**KMP**" has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

"**Notice**" or "**Notice of Meeting**" means the notice convening the Extraordinary General Meeting of the Company to be held on 29 April 2021 which accompanies this Explanatory Memorandum.

"**Proxy Form**" means the proxy form that is enclosed with, and forms part of, this Notice.

Annexure A: Proforma Financial Statements

	MPH Group 31-Dec-20 \$	IXORA 31-Dec-20 \$	Pro-forma 31-Dec-20 \$
Assets			
Current assets			
Cash and cash equivalents	4,925,417	126,523	5,051,940
Trade and other receivables	514,047	81,885	595,932
Prepayments	9,018	26,125	35,143
Inventories	814,386	8,884	823,270
Current tax assets	373,351	-	373,351
Total current assets	6,636,219	243,417	6,879,636
Non-current assets			
Property, plant, and equipment	3,510	5,638,146	5,641,656
Intangibles	19,622	-	19,622
Deferred tax assets	24,858	-	24,858
Total non-current assets	47,990	5,638,146	5,686,136
Total assets	6,684,209	5,881,563	12,565,772
Liabilities			
Current liabilities			
Trade and other payables	1,298,564	24,372	1,322,936
Provisions	3,196	129,470	132,666
Customer deposits	107,902	-	107,902
Lease liability – Short term	477,651	-	477,651
Current tax liabilities	-	61,665	61,665
Total current liabilities	1,887,313	215,507	2,102,820
Non-current liabilities			
Lease liability – Long term	982,329	-	982,329
Borrowings	-	2,960,000	2,960,000
Total non-current liabilities	982,329	2,960,000	3,942,329
Total liabilities	2,869,642	3,175,507	6,045,149
Net assets	3,814,567	2,706,056	6,520,623
Equity			
Issued capital	11,898,945	2,325,000	14,223,945
Reserves	2,195,539	304,788	2,500,327
Retained profits/(loss)	(10,279,917)	76,268	(10,203,649)
Total equity	3,814,567	2,706,056	6,520,623

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MEDILAND

Pharm Limited

ABN 83 628 420 824

MPH

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Need assistance?



Phone:

1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:

www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00 am (AEST) Tuesday, 27 April 2021.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Mediland Pharm Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or 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 directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Mediland Pharm Limited to be held at the Holiday Inn Parramatta, 18-40 Anderson Street, Parramatta NSW 2150 on Thursday, 29 April 2021 at 11:00 am (AEST) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

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

	For	Against	Abstain
1 Approval of acquisition of Heartland Ambassador Hamilton Hotel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 Securityholder 2 Securityholder 3 / /
Sole Director & Sole Company Secretary Director Director/Company Secretary Date

Update your communication details (Optional)

Mobile Number Email Address
By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically



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MEDILAND PHARM LIMITED

Financial Services Guide and Independent Expert's Report

17 March 2021

We have concluded that the Proposed Transaction is fair and reasonable.

FINANCIAL SERVICES GUIDE

17 March 2021

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination. If a complaint is received in advance of a shareholder meeting or other key date where shareholders or investors may be making decisions which are influenced by our report, we will make all reasonable efforts to respond to complaints prior to that date.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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For persons only

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17 March 2021

The Directors
Mediland Pharm Limited
Suite 4, Level 19
227 Elizabeth Street
SYDNEY NSW 2000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of Extraordinary General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of Mediland Pharm Limited ("Mediland" or "the Company") to be held on or around 29 April 2021, at which shareholder approval will be sought for (among other things) the approval of the acquisition of 100% of the shares in Ixora Investments Pty Limited ("Ixora") as detailed below.

1.2 On 4 November 2020, the Mediland directors ("Directors") announced their recommendation to shareholders to proceed with the acquisition of 100% of the shares in Ixora for a purchase price of AUD2.5m ("Consideration"), after taking into account external debt owed by Ixora that will be assumed as part of the acquisition of approximately \$2.0m ("Proposed Transaction"). Ixora is owned by Premier Hospitality Management Pty Limited ("Premier Hospitality" or the "Vendor"), an entity beneficially owned by Jhon Shen, an executive director of Mediland.

1.3 Ixora owns and operates the Heartland Hamilton Hotel located in Auckland New Zealand ("Hamilton Hotel").

1.4 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders").

1.5 The request for approval of the Proposed Transaction is included as Resolution 1 in the Notice as set out below:

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

"That for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to enter in a sale and purchase agreement to acquire 100% of shares in Ixora Investments Pty Ltd on the terms and conditions summarised in the Explanatory Memorandum accompanying the Notice of Meeting."

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RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

1.6 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Non-Associated Shareholders should seek independent professional advice.

2. Summary and conclusion

Opinion

2.1 In our opinion, and for the reasons set out in Sections 9 and 10 of this Report, the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders of Mediland.

Approach

2.2 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to a related party or relevant substantial shareholder or any of its associates without the approval of holders of the entity’s ordinary securities.

2.3 An asset is considered substantial “if its value; or the value of the consideration paid for it is, or in the ASX’s opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX”.

2.4 ASX Listing Rule 10.5.10 sets out the requirement for the inclusion of an independent expert’s report opining on whether the transaction is fair and reasonable.

2.5 We have considered whether or not the Proposed Transaction is “fair” to the Non-Associated Shareholders by assessing and comparing:

- The Fair Value of the equity of Ixora; with
- The Fair Value of the Consideration,

and, considered whether the Proposed Transaction is “reasonable” to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

2.6 Further information on the approach we have employed in assessing whether the Proposed Transaction is “fair” and “reasonable” is set out at Section 4 of this Report.

Fairness

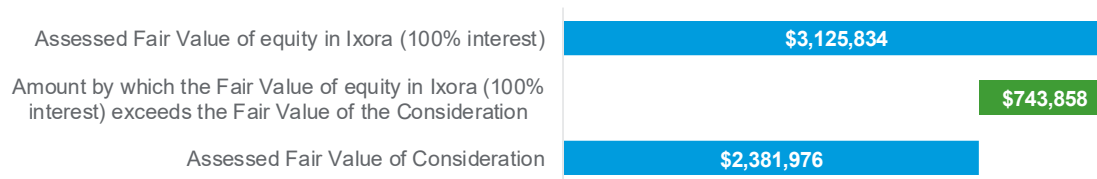
2.7 Our assessed Fair Values of 100% of the equity in Ixora and the Consideration are summarised in the table and figure below.

	AUD
Assessed Fair Value of Consideration	2,381,976
Assessed Fair Value of equity in Ixora (100% interest)	3,125,834
Amount by which the Fair Value of equity in Ixora (100% interest) exceeds the Fair Value of the Consideration	743,858

Source: RSM Analysis

Table 1: Valuation Summary

2.8 We have summarised the values included in the table above in the figure below.



Source: RSM Analysis

Figure 1: Summary valuation graphical representation

2.9 The figure above illustrates that the Fair Value of the equity in Ixora exceeds the Fair Value of the Consideration being offered by \$743,858.

2.10 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of ASX Listing Rule 10.1, we consider the Proposed Transaction to be **fair** to the Non-Associated Shareholders of Mediland.

Reasonableness

2.11 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.12 If the Proposed Transaction does not proceed, there will be no change to the nature of the Mediland business. However, the Proposed Transaction is intended to mitigate the adverse effects COVID-19 has had, and continues to have, on the revenues of Mediland. In the event that the Proposed Transaction does not proceed, the Company will continue to pursue other strategic options to mitigate the Company's losses and conserve cash until international border restrictions are eased and tourist numbers increase in Australia.

2.13 The key advantages of the Proposed Transaction are:

- The Proposed Transaction is considered fair to the Non-Associated Shareholders;
- In response to the downturn in the demand for the products provided by Mediland, the Proposed Transaction provides diversification in revenues for Mediland; and
- The earnings and cashflows that may come from the Hamilton Hotel operations will help conserve the Company's cashflows until the market for Mediland's products returns to pre-COVID-19 conditions.

2.14 The key disadvantages of the Proposed Transaction are:

- Ixora is located in New Zealand and generates earnings and cashflows in NZD. Therefore, the acquisition of Ixora exposes the Company to foreign exchange risks related to the AUD:NZD exchange rate; and
- the valuation of the Hamilton Hotel, in the short to medium term, includes a number of assumptions in relation to the recovery of the New Zealand hotel industry and broader New Zealand economy from COVID-19. Should the recovery from COVID-19 be worse than expected or in the event of a widespread outbreak in New Zealand, the financial performance and Fair Value of Ixora may be impacted, accordingly.

2.15 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Mediland.

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3. Summary of Proposed Transaction

Overview

- 3.1 On 4 November 2020, Mediland announced that the non-executive directors recommended Mediland acquire, either directly or indirectly, or through a wholly owned subsidiary, 100% of the shares in Ixora. Ixora's sole investment comprises the Heartland Ambassador Hamilton Hotel located in Hamilton, New Zealand.
- 3.2 Under the Proposed Transaction, Mediland will acquire 100% of the shares of Ixora for a purchase price of \$2.5m, which is payable as follows:
- \$100,000 on the Completion Date; and
 - \$100,000 per month remitted by the last business day of each month, commencing from the date of the share and purchase agreement ("SPA") for 24 months.
- 3.3 The SPA allows for Mediland to give Ixora 30 days notice that they intend to accelerate or delay the monthly payments and Ixora may, at its discretion, consent to the acceleration or delay of the monthly payments.
- 3.4 There are no conditions precedent to the Proposed Transaction other than the approval from the Non-Associated Shareholders.
- 3.5 Management advises that the Proposed Transaction is intended to mitigate the adverse effects of the COVID-19 pandemic on the core business of Mediland through the diversification of the Company's revenue streams, gaining access to New Zealand's domestic tourist and corporate business customers.
- 3.6 As the Consideration is payable in cash, there is no impact on the capital structure of Mediland.

4. Scope of the Report

ASX Listing Rules

- 4.1 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a substantial shareholder, a related party or any of its associates without the approval of holders of the entity's ordinary securities.
- 4.2 A related party could be a director of the Company.
- 4.3 An asset is considered substantial "if its value; or the value of the consideration paid for it is, or in the ASX's opinion is 5% or more of the equity interest of the entity as set out in the latest financial statements given to the ASX".
- 4.4 ASX Listing Rule 10.10 states that the notice for the shareholders' meeting required under ASX Listing Rule 10.5 must include a report on the transaction from an independent expert. The report must state whether, in the expert's opinion, the transaction is fair and reasonable to the Non-Associated Shareholders.
- 4.5 Accordingly, Mediland is to hold a meeting of shareholders where it will seek approval from Non-Associated Shareholders for the Proposed Transaction. The Company has engaged RSM to prepare a report which sets out our opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

Basis of evaluation

- 4.6 In determining whether the Proposed Transaction is "fair" and "reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.7 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

4.8 RG 111 states that the expert's report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

4.9 RG 111 states that in relation to a related party transaction the expert's assessment of fairness and reasonableness 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.

4.10 Consistent with the guidelines in RG 111, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:

- whether the Fair Value of equity in Ixora is less than the Fair Value of the Consideration – fairness; and
- a review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.

4.11 The other significant factors to be considered include:

- the future prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

4.12 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

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5. Profile of Mediland

Background

5.1 The Company was incorporated in 2002 and listed on the Australia Securities Exchange (“ASX”) on 22 February 2019. The Company is a retail provider of health, beauty and wellness products in Australia and New Zealand. The Company also offers luxury products including opal and pink diamond jewellery, souvenirs and gifts in its retail stores. The Company currently has retail operations located in Sydney, Melbourne and the Gold Coast in Australia and Auckland in New Zealand together with six franchise shops in China.

Industry overview

5.2 Mediland offers high end wellness and beauty products along with a range of other luxury products. The Company’s products are generally favoured by international tourists, specifically Chinese tourists.

5.3 Mediland operates in a number of other industries, including the vitamin and supplement industry, cosmetic and toiletry retailing and luxury retailing. All of these industries are anticipated to see revenue growth over the next 5 years in Australia, however, the demand for Mediland’s products comes largely from international tourists. Demand has, therefore, been significantly impacted by COVID-19 related international border closures.

5.4 The following was extracted from IBISWorld’s industry report on Tourism in Australia¹:

“The Tourism industry is projected to recover from the COVID-19 pandemic and expand over the next five years.

However, in the short term, industry revenue is likely to decline further in 2020-21, due to the Federal Government’s likely continuation of its restrictions on international travel to Australia over a significant proportion of the year. However, domestic tourism is already starting to slowly start back up, with tourism businesses expected to heavily rely on domestic leisure travellers in 2020-21. In addition, if the Australian Government can reach an agreement with New Zealand and any other country that has successfully contained the virus. Once inbound travel restrictions start to ease, then the industry should start to see a more pronounced recovery.

The Australian dollar is anticipated to remain weak over the next five years, likely encouraging international visitors to travel to Australia. The weak dollar is also forecast to limit outbound tourism and support growth in domestic tourist visitor nights. Rising tourism activity in Australia is anticipated to boost industry profitability over the next five years, with tourism operators likely to benefit from having a greater pool of potential customers. The recovery from the outbreak of COVID-19 and the increase in tourism activity are projected to boost both the number of establishments and industry employees over the next five years.

Overall, industry revenue is projected to rise at an annualised 5.0% over the five years through 2024-25, to \$147.2 billion.”

Directors and management

5.5 The directors and key management of Mediland are summarised below:

- Peter French (Chairman);
- Yeshween Mudaliar (Managing Director);
- Jessie Tao (CFO);
- Jhon Shen (Executive Director);
- Tracey-Lee Cray (Non Executive Director);
- Theo Renard (Non Executive Director); and
- Leo Cui (Non Executive Director).

¹ Tourism in Australia – Australian Industry Report X0003 June 2020

Financial Information

5.6 The information in the following section provides a summary of the financial performance of Mediland for the years ended 30 June 2019 (“FY19”) and 30 June 2020 (“FY20”) and the 6 month period ended 31 December 2020 (“HY21”).

Financial performance

5.7 The following table sets out a summary of the financial performance of Mediland for FY19, FY20 and HY21.

AUD	Reference	FY19 Audited	FY20 Audited	HY21 Reviewed
Revenue	5.8	30,661,259	23,298,447	726,641
Cost of sales		(3,277,209)	(5,506,738)	(483,443)
Gross profit		27,384,050	17,791,709	243,198
Other income		770,867	109,722	129,631
Government grant		-	288,984	567,835
Marketing expenses	5.9	(19,890,782)	(15,366,550)	(14,703)
Occupancy expenses		(736,682)	(437,675)	(21,619)
Administrative expenses		(3,339,420)	(3,439,141)	(1,217,520)
Employee benefit expenses		(2,000,721)	(2,697,129)	(760,229)
Share based payment expenses		(710,909)	(990,560)	(547,324)
Listing expenses		(589,711)	-	-
Finance costs		-	(180,527)	(97,609)
Impairment expenses	5.10	-	-	(3,202,443)
Gain recognised on the loss of control	5.11	-	-	689,834
Loan forgiveness on the loss of control	5.11	-	-	(1,873,264)
Total Expenses		(26,497,358)	(22,712,876)	(6,347,411)
Profit/(Loss) before income tax expense		886,692	(4,921,167)	(6,104,213)
Income tax expense		(897,936)	(187,874)	592,407
Profit/(loss) after income tax attributable to owners	5.12	(11,244)	(5,109,041)	(5,511,806)
Foreign currency translation		18,164	(72,723)	4,377
Total comprehensive income for the year / period attributable to owners		6,920	(5,181,764)	(5,507,429)

Source: Mediland's audited or reviewed financial statements

Table 2: Mediland's historical financial performance

5.8 Mediland's revenues are derived from the sale of products through its retail stores and online platform as well as commissions received from third party retailers for sales generated from Chinese tour groups that Mediland arranges. The COVID-19 pandemic has had a materially adverse impact on the revenues of the Company, with total revenues falling by 24% in FY20 compared to FY19 and 94% (on an annualised basis) from FY20 to HY21.

5.9 Due to the impact of COVID-19, Mediland implemented cash conserving strategies resulting in the reduction of marketing expenses by 22% in FY20 from FY19 and to minimal levels in HY21.

5.10 During HY21, Mediland recognised impairment expenses totalling \$3.2m as a result of falling sales and continued uncertainty due to COVID-19.

5.11 On 11 December 2020, three of Mediland's subsidiaries entered into external administration. As a result of the loss of control of the subsidiaries, Mediland recognised a gain of \$689k along with a loss of \$1.87m relating to loan forgiveness.

- 5.12 Mediland disclosed total comprehensive income of \$5,181,764 in FY20, compared to total comprehensive income of \$6,920 in FY19, due to the adverse impact COVID-19. The total comprehensive income for HY21 was \$5,507,429.

Financial position

- 5.13 The table below sets out a summary of the financial position of Mediland as at 30 June 2019, 30 June 2020 and 31 December 2020.

As at AUD	Reference	30-Jun-19 Audited	30-Jun-20 Audited	31-Dec-20 Reviewed
Current Assets				
Cash & cash equivalents		12,047,350	7,304,139	4,925,417
Trade & other receivables		1,853,696	925,029	514,047
Prepayments		-	-	9,018
Inventories		866,949	1,411,204	814,386
Current tax assets		-	373,842	373,351
Total Current Assets		14,767,995	10,014,214	6,636,219
Non-Current Assets				
Property, plant & equipment	5.16 / 5.17	2,143,074	3,031,398	3,510
Right of use assets	5.16 / 5.17	-	3,953,146	-
Intangibles	5.15 - 5.17	5,395	204,647	19,622
Goodwill	5.15	-	321,882	-
Deferred tax assets		153,057	1,014,350	24,858
Total Non-current Assets		2,301,526	8,525,423	47,990
Total Assets		17,069,521	18,539,637	6,684,209
Current Liabilities				
Trade & other payables		3,477,155	3,704,391	1,298,564
Current tax liabilities		198,087	-	-
Provisions		36,460	50,854	3,196
Customer deposit		-	399,987	107,902
Lease - short term liabilities	5.16	-	820,451	477,651
Total Current Liabilities		3,711,702	4,975,683	1,887,313
Non-Current Liabilities				
Deferred tax liabilities		317,228	1,398,224	-
Lease - long term liabilities	5.16	-	3,391,058	982,329
Total Non-current Liabilities		317,228	4,789,282	982,329
Total Liabilities		4,028,930	9,764,965	2,869,642
Net Assets	5.14	13,040,591	8,774,672	3,814,567
Issued capital		11,898,945	11,898,945	11,898,945
Reserves		800,219	1,643,838	2,195,539
Retained profits / (Accumulated losses)		341,427	(4,768,111)	(10,279,917)
Total Equity		13,040,591	8,774,672	3,814,567

Source: Mediland's audited or reviewed financial statements

Table 3: Mediland's historical financial position

- 5.14 Mediland disclosed net assets of \$13.04 million as at 30 June 2019, \$8.77 million as at 30 June 2020 and \$3.8m as at 31 December 2020.
- 5.15 On 22 July 2019, Mediland acquired 100% of the shares of Enti Financial Pty Ltd. During HY21, the goodwill recognised as part of this acquisition was written off in full as a result of the ongoing uncertainty of revenues due to continued COVID-19 border restrictions.

5.16 As noted in 5.11, three subsidiaries of Mediland were placed into external administration and the assets and liabilities relating to these subsidiaries have been removed from the balance sheet resulting in reductions in property, plant & equipment, right of use assets and lease liabilities balances between 30 June 2020 and 31 December 2020.

5.17 As at 31 December 2020, Mediland conducted an impairment assessment which resulted in the write down of property, plant and equipment, right of use assets and intangible assets.

Capital structure

5.18 Mediland has 312,763,610 ordinary shares on issue as at the date of this report. The top 20 shareholders as at 2 March 2021 are set out below.

Rank	Name	No. shares	%
1	Pacific Merchants Group Limited	250,000,000	79.9%
2	Mr Qiming Du	13,190,811	4.2%
3	Mr Yongqiang Lu	10,000,000	3.2%
4	Ms Xiyao Sun	10,000,000	3.2%
5	Aussia Pharmaceuticals Pty Ltd	2,700,000	0.9%
6	Ms Ming Xu	2,500,000	0.8%
7	Yun Liu	2,476,470	0.8%
8	Wei Liu	1,999,910	0.6%
9	Mr Zhixiong Li	1,999,000	0.6%
10	Lei Wang	1,000,000	0.3%
11	Mrs Li Chen	1,000,000	0.3%
12	Ms Jun Yan	1,000,000	0.3%
13	Weiqing Ye	1,000,000	0.3%
14	Ms Xiyao Sun	950,383	0.3%
15	Xinjia Cui	855,600	0.3%
16	Ms Yi Liu	764,000	0.2%
17	Yuanbo Lian	500,000	0.2%
18	Mr Eldo Nirakkallungal Pappachan & Ms Riby Kuriachan	400,000	0.1%
19	Mr Chuang Wang	354,467	0.1%
20	TT Wei Pty Ltd	350,396	0.1%
Total ordinary shares held by top 20		303,041,037	97%
All other shareholders		9,722,573	3%
Total ordinary shares on issue		312,763,610	100%

Source: Mediland share register

Table 4: Mediland's Top 20 shareholders

Share price performance

5.19 The figure below sets out a summary of Mediland's closing share prices and traded volumes for the period 29 January 2020 to 16 March 2021.



Source: Capital IQ

Figure 2: Mediland's daily closing share price and traded volumes

5.20 In the 12-month period prior to 4 November 2020, shares in Mediland were traded on a total of 91 days, with the total volume of shares traded of 2,838,900. Over the 180 trading days prior to the announcement, 0.25% of Mediland's shares were traded, indicating that the shares are highly illiquid.

5.21 During the 12-month period prior to 4 November 2020, Mediland's shares traded at between \$0.10 and \$0.310 per Share, with the most significant trading days being on 5 November 2019 and 26 October 2020 with a total of 242,950 and 400,000 shares traded on these days, respectively.

5.22 Significant announcements made by the Company over this period are summarised below.

1. On 30 January 2020, Mediland's acquisition of Enti Financial Pty Ltd closed for \$1m.
2. On 21 February 2020, Mediland released its unaudited consolidated earnings results for the half year ended 31 December 2019.
3. On 28 February 2020, the escrow conditions of 250,000,000 ordinary shares held by Pacific Merchant Group Limited, in which Jhon Shen has a beneficial interest, ended.
4. On 2 June 2020, Mediland announced that it had entered into a contract with Intercontinental Hotels Group as supplier of Mediland-Branded Hand Sanitiser.
5. On 31 August 2020, Mediland released its earnings results for the year ended 30 June 2020.
6. On 23 October 2020, the Company released its audited financial statements for the year ended 30 June 2020.
7. On 25 November 2020, the Company held its Annual General Meeting.
8. On 11 December 2020, the Company released a market update which included the announcement that three of Mediland's subsidiaries had been placed into voluntary administration.

9. On 29 January 2021, the Company released its quarterly activities report and cashflow report which noted the Company's cash position was down \$1.8m from the previous quarter.
10. On 15 February 2021, the Company lodged an amended Appendix 4C in relation to the reclassification of cashflow from operating activities to cashflow from finance activities with respect to the loss of control of the subsidiaries placed into external administration.
11. On 26 February 2021, the Company released its half year results.

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6. Profile of Ixora

Background

6.1 Ixora was incorporated in New Zealand on 18 October 2016 for the purpose of acquiring and operating the Hamilton Hotel.

Agreements

6.2 Ixora is party to a management agreement with Scenic Hotels (Hamilton) Limited (“Scenic”) for the operation of the Hamilton Hotel (“Management Agreement”). The key terms and details of the Management Agreement are set out on page 21 of the valuation report prepared by CBRE Valuation & Advisory Services (“CBRE”) as at 27 January 2021 (“CBRE Report”), a copy of which is attached at Appendix D.

Directors and management

6.3 The current sole director of Ixora is Yeshween Mudaliar, who is also the managing director of Mediland. Prior to Yeshween Mudaliar’s appointment on 18 April 2019, Jhon Shen, an executive director of Mediland, was the sole director.

Capital Structure

6.4 As at the date of this report, Ixora has 164 ordinary shares on issue which are held by Premier Hospitality, a company incorporated in Australia. Premier Hospitality is owned by Australian National Travel Pty Ltd. Jhon Shen is both the sole director and company secretary of Australian National Travel Pty Ltd.

Financial performance

6.5 The following table sets out a summary of the financial performance of Ixora for FY19, FY20 and HY21.

NZD	Reference	FY19	FY20	HY21
Revenue	6.6	1,808,464	1,366,746	868,741
Payroll expenses		(504,943)	(459,764)	(176,737)
Cost of sales		(49,556)	(30,652)	(22,840)
Other expenses		(296,405)	(276,891)	(161,717)
Department profit		957,560	599,439	507,447
Administration		(223,883)	(225,966)	(108,403)
Training		-	(1,842)	-
Repairs and maintenance		(111,622)	(95,064)	(35,834)
Marketing		(23,087)	(16,273)	(11,733)
Utilities		(64,366)	(52,275)	(19,724)
Gross operating profit		534,602	208,019	331,753
Management fee	6.7	(95,304)	(54,670)	(39,026)
Gross operating fee	6.7	(5,767)	(6,234)	(11,088)
EBITDA		433,531	147,115	281,639
Depreciation		(67,747)	(63,936)	(25,927)
Capital gain/loss		(4,499)	-	-
Interest		(57,719)	(38,911)	(43,203)
Extraordinary R&M		(83,660)	(32,949)	(9,719)
Other expenses		(60,814)	(43,425)	(9,191)
Net profit before tax	6.8	159,092	(32,106)	193,599

Source: Ixora's unaudited management accounts

Table 5: Ixora's historical financial performance

6.6 Ixora derives revenue from the provision of accommodation in the Hamilton Hotel, along with the provision of food and beverages to customers.

6.7 As noted in paragraph 6.2, the Hamilton Hotel is currently managed on behalf of Ixora by Scenic under a Management Agreement. The Management Agreement commenced on 1 February 2019 and includes a base management fee, referred to as “management fee” in the profit and loss of Ixora and an incentive management fee, referred to as “gross operating fee” in the profit and loss of Ixora. These fees are charged as a percentage of gross revenue and gross operating profits respectively.

6.8 Ixora disclosed net profit before tax of NZD159,092 for FY19, a loss of NZD32,106 in FY20 and a profit of NZD193,599 for HY21.

6.9 Details regarding the current operations of the Hamilton Hotel, including daily rates, occupancy and historical, budget and forecast revenues and expenses, are set out in the CBRE Report attached at Appendix D.

Financial position

6.10 The table below sets out a summary of the financial position of Ixora as at 30 June 2019, 30 June 2020 and 31 December 2020.

As at NZD	Reference	30 June 2019	30 June 2020	31 December 2020
Current Assets				
Cash & cash equivalents		234,242	82,031	126,523
Trade & other receivables		50,738	2,278	68,362
Inventories		6,183	6,237	8,884
Prepayments		2,721	1,399	26,125
Other current assets		81	18	13,523
Total Current Assets		293,965	91,963	243,417
Non current Assets				
Property, plant & equipment	6.12	5,586,777	5,621,812	5,638,146
Total Non current Assets		5,586,777	5,621,812	5,638,146
Total Assets		5,880,742	5,713,775	5,881,563
Current Liabilities				
Trade & other payables		(29,038)	(76,551)	(23,238)
Current tax liabilities		(41,888)	(16,129)	(61,665)
Provisions & accruals		(114,380)	(79,733)	(129,470)
Related party liabilities	6.13	(3,107,642)	(1,890,000)	(1,133)
Other		(208)	-	-
Total Current Liabilities		(3,293,156)	(2,062,413)	(215,506)
Non current Liabilities				
Borrowings	6.13	-	(1,140,000)	(2,960,000)
Total Non current Liabilities		-	(1,140,000)	(2,960,000)
Total Liabilities		(3,293,156)	(3,202,413)	(3,175,506)
Net Assets	6.11	2,587,586	2,511,362	2,706,057
Issued capital		2,325,000	2,325,000	2,325,000
Retained profits / (Accumulated losses)		243,317	130,473	304,788
Reserves		19,270	55,887	76,268
Total Equity²		2,587,587	2,511,360	2,706,056

Source: Ixora's unaudited management accounts

Table 6: Ixora's historical financial position

² Differences between Total Equity and Net Assets relate to rounding differences

- 6.11 Ixora disclosed net assets of NZD2.6m as at 30 June 2019, NZD2.5m as at 30 June 2020 and NZD2.7m as at 31 December 2020.
- 6.12 The balance for property, plant and equipment includes the value of the land on which the Hamilton Hotel is located of NZD5,059,116, as well as capital works in progress, fixtures and fittings and plant and equipment.
- 6.13 As at 31 December 2020, Ixora had commercial bills with the Bank of New Zealand totalling NZD2,960,000. Prior to obtaining external financing through the commercial bills, Ixora disclosed significant related party loans, which were repaid as at 31 December 2020, with the exception of a minimal balance of NZD1,133.

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7. Valuation approach

Basis of Valuation

7.1 The valuation of Ixora has been prepared on the basis of Fair Market Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

Valuation methodologies

7.2 In assessing the Fair Value of the equity in Ixora, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

7.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

7.4 Market based methods estimate the Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- the quoted price for listed securities; and
- industry specific methods.

7.5 The recent quoted price for listed securities method provides evidence of the Fair Value of a company's securities where they are publicly traded in an informed and liquid market.

7.6 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the fair value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based methods

7.7 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow; and
- capitalisation of future maintainable earnings.

7.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

- 7.9 The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Asset based methods

7.10 Asset based methodologies estimate the Fair Value of a company’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

7.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

7.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

7.13 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company’s assets are liquid, or for asset holding companies.

Selection of valuation methodologies

Valuation of Ixora

7.14 In assessing the Fair Value of the equity in Ixora we have utilised the net assets on a going concern basis methodology.

7.15 We have instructed CBRE to act as an independent specialist to value the Hamilton Hotel.

Valuation of Consideration

7.16 The Proposed Transaction is to be settled in cash with \$100,000 payable upon completion and the balance payable monthly in the 24 months from the date of the SPA.

7.17 We have assessed the Fair Value of the Consideration taking into consideration the time value of money, as the net present value of the payments to be made over the 24 months from the date of the SPA. In discounting the payments we have applied a discount rate of 5%, being the weighted average interest rate of Mediland, as set out in the Company’s financial statements for the year ended 30 June 2020.

7.18 Applying the discount rate noted above, we have assessed the Fair Value of the Consideration to be \$2,381,976.

7.19 We note that the terms of the SPA provide for acceleration or delay of the \$100,000 monthly repayments. Should the repayments be accelerated or delayed the Fair Value of the Consideration would change, however, any such change in Fair Value would be immaterial and would not impact on our conclusion.

8. Valuation of Ixora

8.1 As stated at paragraph 7.14, we have assessed the Fair Value of equity in Ixora on a net assets on a going concern basis methodology.

8.2 We instructed CBRE to act as an independent specialist to value the Hamilton Hotel. A copy of the CBRE Report is attached at Appendix D of this Report.

8.3 The Market Value (as defined in the CBRE Report) of the Hamilton Hotel as at 27 January 2021, as extracted from the CBRE Report is NZD6,200,000, which when converted into Australia dollars applying the exchange rate of \$0.9285 as at 16 March 2021, as published by the RBA, is \$5,756,732.

8.4 CBRE has assessed the Market value of the Hamilton Hotel as a going concern which is inclusive of the land, building, plant, equipment, fixtures & fittings, goodwill and chattels engaged in the operation of the business. They have utilised both the Capitalisation Approach and the Discounted Cash Flow Approach.

8.5 The Capitalisation Approach involved the assessment of a stabilised 5 year EBITDA to which a capitalisation rate (or investment yield) is applied. CBRE have adopted a capitalisation rate of 7.75% to an assessed stabilised EBITDA of \$508,916 (discounted for inflation) in the valuation of the Hamilton Hotel.

8.6 The Discounted Cash Flow approach involves the discounting of cashflows over a 10 year investment horizon discounted at an appropriate discount rate determined by CBRE.

8.7 We note that CBRE has highlighted the risk associated with hotel values should tourism demand materially decline for any reason and further noted that forecasting market outcomes and hotel performance is difficult due to the large number of variables, such as those seen due to the COVID-19 pandemic outbreak.

8.8 We note since the date of the CBRE Report there has been an outbreak of COVID-19 in Auckland prompting a 7 day lockdown in New Zealand. We have confirmed with CBRE that this outbreak does not have an impact on the assessed Market Value of the Hamilton Hotel.

8.9 A critical assumption that should be noted in the CBRE Report is the current terms of the Management Agreement which prevents Ixora from selling the Hamilton Hotel to any party other than Scenic until 30 June 2026. Ixora and Scenic are currently finalising an amendment to this restriction to enable the sale of the Hamilton Hotel. The CBRE report has been prepared on the basis that the Hamilton Hotel may be sold on the open market.

8.10 We have reviewed the balance sheet of Ixora as at 31 December 2020 to assess the net debt position of Ixora and determine if there are any surplus assets held by Ixora to assess the Fair Value of the equity in Ixora.

8.11 We set out in the table below a summary of our assessment of the net debt of Ixora as at 31 December 2020.

	NZD	FX Rate	AUD
Cash and cash equivalents	126,523	0.9285	117,477
Interest bearing debt	(2,960,000)	0.9285	(2,748,375)
Net debt	(2,833,477)		(2,630,898)

Source: Ixora management accounts & RSM analysis

Table 7: Net debt position of Ixora

8.12 We have not identified any surplus assets of Ixora as at 31 December 2020.

Valuation summary and conclusion

8.13 A summary of our assessed value of 100% of the equity in Ixora on a control basis, derived under the net asset on a going concern methodology, is set out in the table below.

	NZD	FX Rate	AUD
Market Value of Hamilton Hotel	6,200,000	0.9285	5,756,732
Add: Surplus assets	-	0.9285	-
Less: Net debt	(2,833,477)	0.9285	(2,630,898)
Fair Value of equity in Ixora (Controlling interest)	3,366,523		3,125,834

Source: CBRE Report, Ixora management accounts & RBA foreign exchange rates

Table 8: Summary of valuation of equity of Ixora

9. Is the Proposed Transaction Fair to Non-Associated Shareholders?

9.1 In order to assess whether the Proposed Transaction is fair to the Non-Associated Shareholders, we have compared the Fair Value of equity in Ixora to the Fair Value of the Consideration.

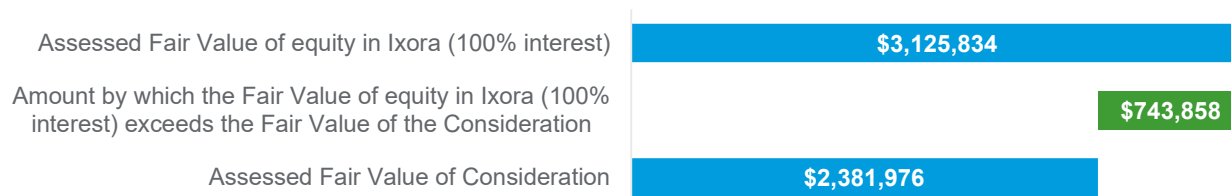
9.2 A comparison of the Fair Values of the Consideration and the equity in Ixora are set out in the table below.

	AUD
Assessed Fair Value of Consideration	2,381,976
Assessed Fair Value of equity in Ixora (100% interest)	3,125,834
Amount by which the Fair Value of equity in Ixora (100% interest) exceeds the Fair Value of the Consideration	743,858

Source: RSM Analysis

Table 9: Valuation summary

9.3 We summarise the Fair Values set out in the table above in the figure below.



Source: RSM Analysis

Figure 3: Valuation summary graphical representation

9.4 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with ASX Listing Rule 10.1, we consider the Proposed Transaction to be **fair** to the Non-Associated Shareholders of Mediland as the Fair Value of equity in Ixora exceeds the Fair Value of the Consideration.

10. Is the Proposed Transaction Reasonable to Non-Associated Shareholders?

10.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of Mediland if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future prospects of Mediland if the Proposed Transaction does not proceed

10.2 If the Proposed Transaction does not proceed, there will be no change to the nature of the Mediland business. However, the Proposed Transaction is intended to mitigate the adverse effects COVID-19 has had, and continues to have, on the revenues of Mediland. In the event that the Proposed Transaction does not proceed, the Company will continue to pursue other strategic options to mitigate the Company's losses and conserve cash until international border restrictions are eased and tourist numbers increase in Australia.

Trading in Mediland shares following the announcement of the Proposed Transaction

10.3 Mediland's share liquidity has been low with very limited trading (0.33%) in the 90 days since the announcement of the Proposed Transaction.

Calendar days	Share price \$	No. of days traded	Volume traded	Value traded \$	VWAP \$	Percentage of issued capital %
1 days	0.089	1	15,860	1,412	0.089	0.01%
5 days	0.089	1	15,860	1,412	0.089	0.01%
10 days	0.089	1	15,860	1,412	0.089	0.01%
30 days	0.092	2	17,340	1,548	0.089	0.01%
60 days	0.071	8	259,940	18,548	0.071	0.08%
90 days	0.056	21	1,033,490	65,600	0.063	0.33%

Source: Capital IQ and RSM analysis

Table 10: Mediland VWAP after the announcement of the Proposed Transaction

10.4 The share price has decreased from \$0.089 on the day of the announcement to \$0.043 as at 16 March 2021. While the falling share price may indicate the market does not regard the Proposed Transaction favourably, the Company has made a number of unfavourable announcements after the announcement of the Proposed Transaction which are likely to have adversely impacted the share price of Mediland.

10.5 Given the above and the uncertainty in the market due to COVID-19, we consider it unlikely that, in the short term, Mediland's share price would revert to the share price prior to the announcement of the Proposed Transaction, if it is not approved.

Advantages and disadvantages

10.6 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

10.7 The key advantages of the Proposed Transaction are:

- The Proposed Transaction is considered fair to the Non-Associated Shareholders;
- In response to the downturn in the demand for the products provided by Mediland, the Proposed Transaction provides diversification in revenues for Mediland; and
- The earnings and cashflows that may come from the Hamilton Hotel operations will help conserve the Company's cashflows until the market for Mediland's products returns to pre-COVID-19 conditions.

Disadvantages of approving the Proposed Transaction

10.8 The key disadvantages of the Proposed Transaction are:

- Ixora is located in New Zealand and generates earnings and cashflows in NZD. Therefore, the acquisition of Ixora exposes the Company to foreign exchange risks related to the AUD:NZD exchange rate; and
- the valuation of the Hamilton Hotel, in the short to medium term, includes a number of assumptions in relation to the recovery of the New Zealand hotel industry and broader New Zealand economy from COVID-19. Should the recovery from COVID-19 be worse than expected or in the event of a widespread outbreak in New Zealand, the financial performance and Fair Value of Ixora may be impacted, accordingly.

Conclusion on Reasonableness

- 10.9 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Mediland.
- 10.10 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD



Andrew Clifford

Director



Glyn Yates

Director

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APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Andrew Clifford and Glyn Yates are directors of RSM Corporate Australia Pty Ltd. Both Andrew Clifford and Glyn Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Mediland and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd 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.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Andrew Clifford, Glyn Yates nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$25,000 (plus GST) based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Mediland receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Draft and final copies of the term sheet for the acquisition of Ixora Investments Pty Limited;
- Management accounts for Ixora Investments Pty Limited for the years ended 30 June 2019, 30 June 2020 and the 6 months ended 31 December 2020;
- Audited financial statements of Mediland Pharm Limited for the years ended 30 June 2019 and 30 June 2020;
- Reviewed financial statement of Mediland Pharm Limited for the half year ended 31 December 2020;
- ASX announcements of Mediland Pharm Limited;
- CBRE Valuation & Advisory Services valuation report on the Heartland Ambassador Hotel dated 27 January 2021;
- IBISWorld industry report;
- S&P Capital IQ database; and
- Discussions with Directors and Management and staff of Mediland.

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C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$ or AUD	Australian dollar
Act	Corporations Act 2001 (Cth)
AFCA	Australian Financial Complaints Authority
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
CBRE	CBRE Valuation & Advisory Services
CBRE Report	CBRE report dated 16 February 2021
Company, Mediland	Mediland Pharm Limited
Consideration	The purchase price of AUD2.5m for the acquisition of 100% of the shares in Ixora
Control basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
DCF	Discounted cash flow
Directors	Directors of the Company
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Market Value or Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FY19	The year ended 30 June 2019
FY20	The year ended 30 June 2020
Hamilton Hotel	Heartland Hamilton Hotel located in Auckland New Zealand
HY21	The 6 month period ended 31 December 2020
Ixora	Ixora Investments Pty Limited
Management Agreement	The management agreement Ixora is party to with Scenic for the operation of the Hamilton Hotel
Non-Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
NZD	New Zealand dollar
Premier Hospitality, Vendor	Premier Hospitality Management Pty Limited
Proposed Transaction	The acquisition of 100% of the shares in Ixora for a purchase price of AUD2.5m by the Company
Report or IER	This Independent Expert's Report prepared by RSM dated 17 March 2021

Term or Abbreviation	Definition
Resolution 1	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RSM	RSM Corporate Australia Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Scenic	Scenic Hotels (Hamilton) Limited
Share or Mediland Share	Ordinary fully paid share in the capital of the Company
Shareholder	A holder of Share
SPA	The share and purchase agreement between the Company and the Vendor
VWAP	Volume weighted average share price

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D. CBRE VALUATION REPORT

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CBRE VALUATION & ADVISORY SERVICES

VALUATION REPORT

HEARTLAND AMBASSADOR HOTEL
86-92 ULSTER STREET
WHITIORA, HAMILTON

CLIENT: RSM CORPORATE AUSTRALIA PTY LTD

VALUATION DATE: 27 JANUARY 2021

CBRE

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Hotel Building



Motel Building

VALUATION SUMMARY

Market Value (plus GST if any)

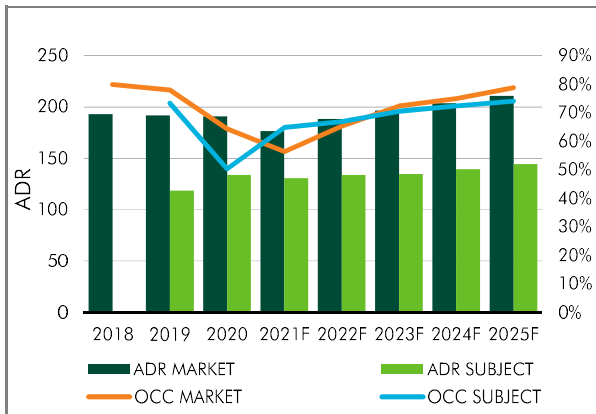
NZ\$6,200,000

The above valuation is subject to the Special Assumptions and Disclaimers within this Report.

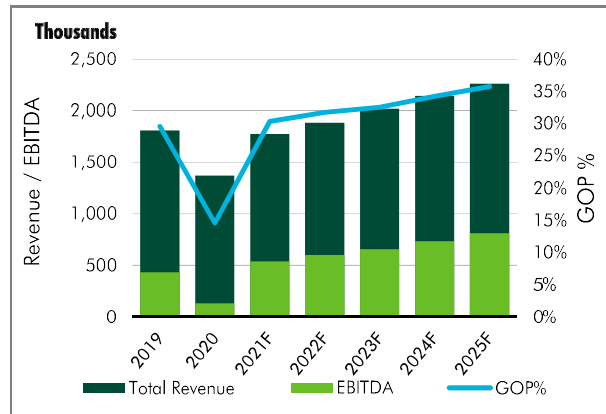
Key Valuation Metrics

Initial Yield:	5.39%	Stabilised ADR:	\$144.35
Stabilised Yield (YR 5):	7.71%	Stabilised Occupancy:	74.0%
IRR (10 YR):	9.77%	Stabilised RevPAR:	\$106.83
Value per Room:	NZ\$121,569	Stabilised EBITDA:	\$545,483 p.a.
Value per sqm of GFA:	\$3,632 (approx.)	Stabilised EBITDA%:	24.1%

Revenue Trends



Profit Trends



Property Description

The Heartland Ambassador Hotel comprises a 51 room hotel located in two separate accommodation blocks with 13 motel style rooms in the low rise block and 38 hotel rooms in the tower block. The buildings were constructed in the 1970s. Facilities include a restaurant and bar, two conference rooms, swimming pool, car parking and three bedroom manager's unit.

Prepared by CBRE Limited

Peter Hamilton, MPINZ, MRICS, B.Com, B.Prop
Registered Valuer
Director | CBRE Hotels Valuation & Advisory Services

Job Involvement: Principal Valuer
Property Inspected: Yes

Jamahl Williams, BBS (VPM), ANZIV, SPINZ
Registered Valuer
Director - Quality & Risk Management

Job Involvement: Co-Signatory in capacity of Quality Assurance
Property Inspected: No

SWOT & RISK ANALYSIS

Strengths

- Prominent site with good exposure to three main roads in the Northern fringe of Hamilton's CBD.
- A mix of room types from studio to two bedroom units.
- Contains on-site manager's accommodation.
- Comparatively low property values creates a barrier to entry for new competitive supply in Hamilton.
- The hotel offers a mix of facilities including food and beverage and leisure facilities.
- Freehold tenure.
- Large guest rooms.

Weaknesses

- Low room inventory reduces economies of scale.
- Not located directly within Hamilton's CBD.
- The motel rooms are considered to be in average condition and will require refurbishment to improve performance.
- Operated under a long term management agreement limiting the pool of potential purchasers.

Opportunities

- Refurbish the rooms, particularly the Retro Motel, to offer a common standard of accommodation and allow for the hotel to have a single brand.
- Convert the managers unit into an additional accommodation unit.
- Hamilton is likely to benefit from the undersupply of accommodation in Auckland during peak periods.
- Exceed performance forecasts adopted for valuation purposes.
- Contract more group business to secure base occupancy levels particularly in low season.

Threats

- Potential for increasing maintenance costs given the age of the asset.
- Given the paucity of transactions, the property's market value range may be particularly wide.
- There is continued uncertainty relating to the income and investment performance of the Hotel sector and wider market in light of the Novel Coronavirus outbreak.
- Delay in recovery of markets, due to prolonged/extended controls on international tourism arising from ongoing COVID-19 outbreaks.
- We refer you to the Market Risk comments below.

Market Risk Comment

Prior to the outbreak of COVID-19, the New Zealand tourism industry had experienced significant growth driving strong performance improvements in hotels across the country. The value of hotel properties is primarily driven by the financial performance of the business and as a result of the strong growth in revenues, hotel values increased materially. This rapid escalation of hotel values resulting from performance improvements illustrates the sensitivity of the hotel property sector to external factors, both positively and negatively. We highlight to the reader the risk associated with hotel values should tourism demand materially decline for any reason.

Forecasting market outcomes and hotel performance is difficult due to the large number of variables. Current market forecasts may be subject to more volatility than historically experienced due to the COVID-19 outbreak and the weight of new room supply in some markets and uncertainty in the extent of future demand growth. The underlying inherent risk is that envisaged forecasts may not be achieved due to a variety of reasons including

deteriorating future economic and market conditions which would result in a lower end value to that assessed. Any intending reliant party needs to be aware of this inherent risk.

In the current environment of unprecedented trading and investment uncertainty, the risk moving forward is that hotel investment yields soften from current levels, resulting in a further downward trend in values from the levels outlined in this report. This risk is heightened by the possibility that the cost of hotel debt increases and/or distressed hotels may be forced into the market for sale in the foreseeable future thereby setting new investment market benchmarks. Accordingly we recommend that the user(s) of this report review this valuation periodically.

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1 INTRODUCTION

1.1 INSTRUCTIONS

Instructing Party:	Andrew Clifford of RSM Corporate Australia Pty Ltd
Purpose of Valuation:	Financial Reporting
Basis of Valuation:	Freehold Going Concern
Date of Inspection:	27 January 2021
Date of Valuation:	27 January 2021
Date of Report Issue:	16 February 2021

1.2 MARKET VALUE DEFINITION

In accordance with the IVS, the definition of market value is: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Going Concern

Value as a going concern may be defined as the value of all tangible assets, such as land and buildings, plant, furniture, equipment and other chattels, and all intangible assets, such as goodwill and licence, in the hands of the purchaser acquiring them as part of the business for which they are designed and used.

1.3 INDUSTRY PRACTICE

Subject to the assumptions and qualifications detailed within, this valuation report is issued in accordance with the Australian and New Zealand Property Institute Valuation and Property Standards (ISBN 0-9975414-0-1) and International Valuation Standards (ISBN 978-0-9569313-0-6). Where these are at variance, the assumptions and qualifications included within this valuation report will prevail generally, and the International Valuations Standards will prevail over the Australian and New Zealand Property Institute Valuation and Property Standards.

We hereby certify that the Principal Valuer is suitably qualified and authorised to practise as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the property; and accepts instructions to value the property only from the Responsible Entity/Instructing Party.

1.4 FAIR VALUE DEFINITION

We have also had regard to the requirements of the New Zealand Equivalent to International Financial Reporting Standard 13 (NZ IFRS 13). In particular, we have considered NZ IFRS 13 Fair Value Measurement, which adopts the following definition of Fair Value:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Fair Value under NZ IFRS 13 is generally synonymous with the concept of Market Value under IVS.

1.5 FINANCIAL REPORTING STANDARD

The valuation is undertaken in accordance with the requirements of PINZ Valuation and Property Standards January 2012 Edition – NZVTIP 2 Valuations for Use in New Zealand Financial Reports. The property is an investment property and the valuer in conducting this report has also observed the requirements of New Zealand International Accounting Standard 40 – Investment Property (NZ IAS 40).

1.6 RELIANCE

Reliance: This valuation is strictly and only for the use of the following Reliant Parties and Purposes:

- Mediland Pharm Limited for internal evaluation purposes only
- RSM Corporate Australia Pty Ltd for the purpose of preparing an Independent Expert's Report only

The Client acknowledges and agrees that all material or documents created by CBRE in providing the Services are provided for its benefit and the purposes set out in the Report and may not be relied on by anyone other than the Reliant Parties. We do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon by any Reliant Party after the expiration of 90 days from the date of valuation, or such earlier date if the Reliant Parties become aware of any factors that have any effect on the valuation.

Confidentiality: Any valuation service is confidential as between CBRE and the Reliant Party as specifically stated in the valuation advice/report. Neither the whole of the report, nor any part of it, may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third parties, without the prior written approval of CBRE of the form and context in which it is to appear, which may be conditional on relevant third parties first executing (i) a reliance letter on terms approved by CBRE where the third party wishes to use and/or rely on the relevant information; or (ii) a non-reliance letter where the third party wishes to use the report for information purposes only.

Transmission: Only an original valuation report (hard and/or soft copy) received by the Reliant Parties directly from CBRE without any third party intervention can be relied upon.

Restricted: No responsibility is accepted or assumed to any third party who may use or rely on the whole or any part of the content of this valuation.

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1.7 INFORMATION PROVIDED

We have been provided with the following key information which has been relied upon within our report:

- Hotel Management Agreement with Scenic Hotel Group.
- Draft amendment to the Hotel Management Agreement allowing transaction to proceed.
- Financial Accounts - historic and budgeted.
- Historic capital expenditure.
- Initial Evaluation Procedure relating to the motel building conducted by CLC Consulting Group Limited, dated December 2016.
- Asbestos Survey completed by Morecroft Hazardous Materials Management in March 2020 relating to the lift motor room and lift shaft only.

Our valuation is undertaken on the basis that provided information is accurate. Should this not be the case, we reserve the right to amend our valuation.

1.8 SPECIAL ASSUMPTIONS

Assumptions are a necessary part of undertaking valuations. CBRE adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by CBRE will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer. The Reliant Parties accept that the valuation contains certain specific assumptions, and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation. Refer to the Disclaimers, Limitations and Qualifications Section, which is pertinent to this valuation report.

Particularly critical to our valuation are the following assumptions:

Management Agreement:	The Hotel Management Agreement includes the following clause: 3.2 (a) <i>During the period from the Commencement date until the 30th June 2026:</i> i) <i>The Owner shall not sell the Hotel or any interest in the Hotel to any person other than the Operator and no shares in the Owner shall be sold or transferred to any person;</i>
------------------------------	--

Whilst we note that the Owner and Operator are currently finalising an amendment allowing for the proposed sale of the property, this clause appears to restrict any further sale of the property until 1 July 2026. In order to meet the definition of market value, our valuation assumes that the property can be sold on the open market.

1.9 BASIS OF ASSESSMENT FOR GOING CONCERN PROPERTY

The value of a property as a "going concern" is inclusive of the land, buildings, plant, equipment, fixtures, fittings, goodwill and chattels engaged in the operation of the business. It excludes stock.

A valuation is usually undertaken on the basis of management or/unaudited accounts (unless otherwise stated) therefore it relies on all information supplied being accurate and of a full and frank disclosure. Our analysis of the information provided should not be construed or interpreted as an audit of that information.

The nature of going concern property requires compliance to various regulations, standards and legislation. We have investigated conformity to the extent required for valuation purposes, however, this does not go to the extent of investigations that would be conducted in full acquisition due diligence

Valuations are prepared on the basis of sound average management and expertise considered essential to operate the property.

The forecast cashflows contained in this report represent only one of countless permutations of future events and reflect our expectation of future events based on our understanding of the market as at the date of valuation. No warranty as to the accuracy of the forecast projection is given or implied. No liability for negligence or otherwise is assumed by CBRE in relation to the forecasts and projections made by it and included in this report. As with any projections or forecasts such projection or forecast may vary from time to time in response to changing market circumstances.

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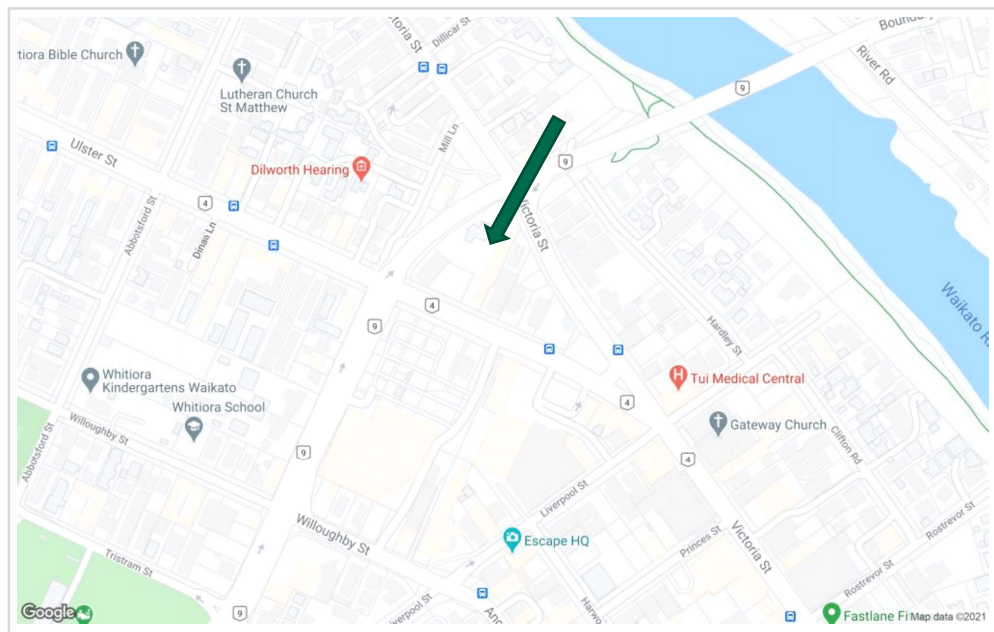
2 LAND

2.1 LOCATION

Location:

The property is located to the northern fringe of Hamilton's CBD in proximity to key demand drivers including FMG Stadium Waikato, Seddon Park and Claudelands Events Centre.

Hamilton City is one of New Zealand's largest provincial cities and is located approximately 150 km south of Auckland. Hamilton City had an estimated Resident Population of 176,500 as at June 2020. Hamilton appears to be growing at a similar pace to Auckland with continued growth anticipated and Government investment in a range of infrastructure. Access to Auckland City is continuing to be improved through motorway extensions with a drive time of approximately 1 ½ hours in off-peak conditions.



View the subject property in [Google Maps](#).

Nearest Main Centre:

Hamilton CBD is 1 km to the southeast of the subject.

Surrounds:

A mix of large format retail, commercial and accommodation uses. The adjoining properties comprise an office and service station.

Transport Links:

Hamilton is a predominantly a "drive to" destination. Auckland located approximately 1 ½ hours off-peak driving time to the north is the main source market for domestic guest nights. The Waikato Expressway (WEX) motorway extension is due for completion in December 2021 and will further enhance access.

Hamilton Airport is serviced by domestic flights to and from Auckland, Gisborne, Napier, Palmerston North, Wellington and Christchurch. Trans-Tasman flights have previously operated from Hamilton Airport to major Australian centres however these no longer operate due to a lack of demand.

Hamilton Airport is located approximately 11km southwest of Hamilton CBD or an approximate 15 minute drive from the subject property.

2.2 RESOURCE MANAGEMENT

Local Authority and Plan:

Hamilton City Council District Plan (Operative 2017).

Zone:

“Central City” zone - “City Living” precinct.

The City Living Precinct is an area with the greatest potential for transformation. Currently, a number of uses would be more appropriately located to industrial areas outside the Central City. Facilitating development to provide for a new mixed-use environment with an emphasis on establishing higher-density commercial and residential activity within the City Living Precinct will improve existing streetscapes and amenity in the area. Combined with this, providing better connections to existing open space and local amenities will attract and retain a high resident and working population.

View full details of the relevant [zone planning controls](#).

Indicative Permitted Uses:

- Service industry except noxious or offensive activities
- Offices <1000m2 GFA per site
- Home-based business
- Retail activities
- Supermarkets
- Apartments

Present Use:

Visitor Accommodation is listed as a restricted discretionary activity.

It is our understanding of the current Planning Scheme that should the existing premises be destroyed, existing use rights would apply and there would be no planning impediments to the reconstruction and reuse of the property as a commercially operated accommodation hotel.

Highest and Best Use:

The current use is considered to be the highest and best use of the property.

Heritage Listing:

No.

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2.3 SITE DESCRIPTION



Aerial View



Indicative Title Boundaries

Land Area:	4,610 sqm (more or less).								
Frontage:	<table border="0"> <tr> <td>Ulster Street:</td> <td>22.61 metres</td> </tr> <tr> <td>Mill Street:</td> <td>82.32 metres</td> </tr> <tr> <td>Victoria Street:</td> <td>23.67 metres</td> </tr> <tr> <td>Mill Street/Victoria Street corner splay:</td> <td>6.66 metres</td> </tr> </table>	Ulster Street:	22.61 metres	Mill Street:	82.32 metres	Victoria Street:	23.67 metres	Mill Street/Victoria Street corner splay:	6.66 metres
Ulster Street:	22.61 metres								
Mill Street:	82.32 metres								
Victoria Street:	23.67 metres								
Mill Street/Victoria Street corner splay:	6.66 metres								
Contour:	The site falls moderately to the north from Ulster street before becoming level from approximately the middle of the site.								
Services:	All typical municipal services appear to be connected to the site.								
Accessibility:	Drive on access available from Ulster Street with secondary drive on access available from Victoria Street.								
Potential Flooding:	Above known flood levels. Formal searches not undertaken.								
Contamination:	<p>We have requested site contamination information from Hamilton City Council who have advised us that there is no contamination information held within their records for this site. Of necessity our valuation assumes that there are no contamination issues that would have a material effect on the market value, use or marketability of the property which would prevent the property from continuation of its current use.</p> <p>We are not environmental experts and we do not know the extent of contamination (if any). Should subsequent investigations reveal the presence of contaminated material, we reserve the right to revisit our valuation.</p> <p>Our visual inspection of the subject property and immediately surrounding properties revealed no obvious signs of site contamination.</p>								

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- Waikato Hotel Market Overview
- Financial Trading
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2.4 LEGAL DESCRIPTION

Title Ref	Lot	Plan	Area (sqm)	Proprietor	Tenure
767682	Lot 2	DP 506602	4,610	Ixora Investments Limited	Freehold

Relevant Interests:

Registrations of note include:

- Subject to rights to drain water, building maintenance and pedestrian access over part of the site for the benefit of the adjoining site.

We do not consider there to be any registrations which materially impact on market value or saleability.

Title Search:

We refer you to the Appendix for copies of the relevant title documentation.

3 IMPROVEMENTS

3.1 OVERVIEW

Brief Description: The Heartland Ambassador Hotel comprises a 51 room hotel located in two separate accommodation blocks with 13 motel style rooms in the low rise block and 38 hotel rooms in the tower block. The buildings were constructed in the 1970s. Facilities include a restaurant and bar, two conference rooms, swimming pool, car parking and three bedroom manager's unit.

Age: Constructed circa 1975.

Condition and Repair: Generally fair having regard to its age and use.

The hotel rooms have been partially refurbished in recent years whilst the motel rooms generally remain in older condition.

Capital Expenditure: None identified. Refer to Section 3.8 for further information.

Alternative Use: The subject property has a specialised use as a hotel. There are limited alternative uses without undergoing considerable reconfiguration.

BWOF: Expires 30 March 2021.

Asbestos: As the property was constructed prior to 1990, there is a possibility that asbestos containing materials could be present in the building. During our inspection we noted that the ceilings in the guest rooms of the Retro Motel were of a textured plaster, we were advised that they have not been tested for asbestos containing materials. We are not experts in this area and can give no warranty in this regard.

We have been provided with an Asbestos Survey completed by Morecroft Hazardous Materials Management in March 2020 relating to the lift motor room and lift shaft only. This survey identified various asbestos containing materials with low or medium risk and provided recommendations as to the management of these materials.

We have undertaken our assessment assuming no adverse effect on the property's market value or marketability. If a more definitive asbestos statement is required, a report from a suitably qualified expert should be commissioned and if asbestos materials are found to be present on-site this valuation must be referred back to the Valuer for further consideration and possible re-assessment.

Seismic Comment: We have been provided with an Initial Evaluation Procedure relating to the motel building conducted by CLC Consulting Group Limited, dated December 2016. This report concludes the subject property meets 85% of NBS meaning the building so not considered earthquake prone or a potential earthquake risk.

We have requested, however have not been provided with, seismic strength assessment reports for the tower building. Our valuation assumes by necessity that such an assessment would determine the building to have aseismic capacity of at least 67% of NBS. Should we be provided with seismic strength reports, we reserve the right to review and possibly amend our valuation.

Website: <https://www.scenicotelgroup.co.nz/locations/new-zealand/hamilton/heartland-ambassador-hotel-hamilton>

3.1 ROOM CONFIGURATION & DESCRIPTION

ROOM TYPE	NUMBER OF ROOMS	APPROX. AREA (SQM)
One-bedroom motel room	8	35
Two-bedroom motel room	5	42
Standard hotel room	8	32
Superior hotel room	22	32
Superior plus hotel room	8	32
TOTAL	51	

We note that one of the one-bedroom motel units is currently utilised as storage and will need to be refurbished to be reintroduced to the operating inventory.

The hotel rooms are largely identical with differences in category relating solely to the extent of refurbishment works being completed. Superior rooms had new vanities installed in 2018 whilst Superior Plus rooms were fully refurbished in 2018. All hotel rooms have a small balcony or patio. Motel rooms are either one or two bedrooms and feature a separate living room and kitchenette. All rooms generally incorporate a tiled foyer and carpet floor coverings. Bathrooms feature ceramic/marble floor/wall tiling, a combined bath and shower (or shower only), toilet suite, vanity unit and wall mirror.

Furnishings and facilities generally include:

- Queen/Twin Queen/single beds
- Bedside tables and reading lamps
- Writing desk and chair
- Built in wardrobe and drawers
- Individually controlled air conditioning
- Fridge
- Clock/Radio
- Tea/coffee facilities
- Hairdryer
- Iron
- WiFi internet
- Television
- Telephone
- iPhone/iPod dock

3.2 FOOD & BEVERAGE FACILITIES

A restaurant/café is located within the motel building offering an a la carte breakfast only with a seating capacity for up to 80 patrons.

In room dining is also available for breakfast.

3.3 CONFERENCE & FUNCTION FACILITIES

The Ambassador Boardroom is located in the top floor of the hotel building with a floor are of approximately 64 square metres and the capacity to cater for up to 60 delegates in theatre style seating.

3.4 RECREATIONAL & OTHER FACILITIES

- Swimming pool and spa
- Guest laundry
- 58 on site car parks
- A three bedroom manager's unit located above reception in the motel building.

3.5 CONSTRUCTION DETAILS

3.5.1 Motel Building

Foundations:	Reinforced concrete footings and foundations.
Floors:	Reinforced concrete floor slabs.
Structure:	Structural and external walls of reinforced concrete block.
Windows and Doors:	Powder coated, aluminium framed windows and doors throughout.
Roof:	Long-run iron roofing.
Internal Finishes	Carpet flooring in guest rooms, ceramic tiles in kitchens and bathrooms. A mix of painted concrete block and painted or papered plasterboard walls with textured plaster ceilings.

3.5.2 Hotel Building

Foundations:	Reinforced concrete footings and foundations.
Floors:	Reinforced concrete floor slabs.
Structure:	Structural and external walls of reinforced concrete block.
Windows and Doors:	Powder coated, aluminium framed windows and doors throughout. Double glazed.
Roof:	Assumed waterproofed reinforced concrete, but not inspected.
Internal Finishes	Carpet flooring in guest rooms, ceramic tiles in kitchens and bathrooms. A mix of painted concrete block and painted or papered plasterboard walls with suspended acoustic tile ceilings.

3.6 SERVICES

Air Conditioning:	Split system air conditioning units through the tower and restaurant only. No air conditioning in motel guest rooms.
Fire Prevention:	The complex is fitted with smoke detectors, break glass alarms, hose reels, fire extinguishers and illuminated exit signage.

Security/Access Control:

Proximity cards provide access to the tower guest rooms while keys are used in the motel guest rooms.

Lifts:

1 lift provides access through the tower building.

Water Heating:

Two gas boilers to the tower building, one gas boiler for the motel laundry, individual electric hot water cylinders in the motel guest rooms and infinity gas water heaters in the restaurant and manager's unit.

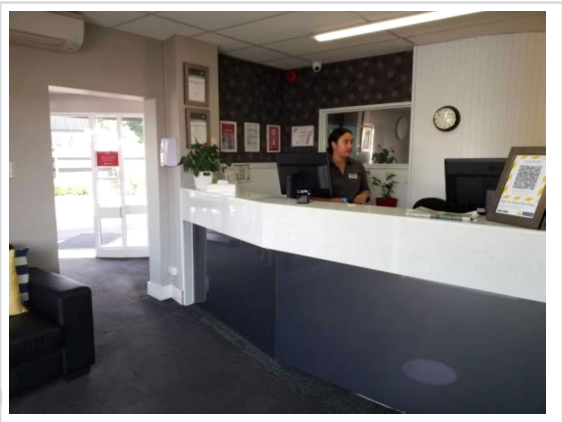
3.7 PHOTOS



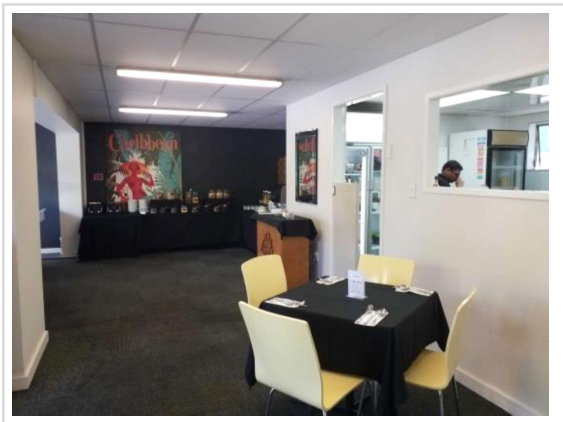
Motel Building



Hotel Building



Reception

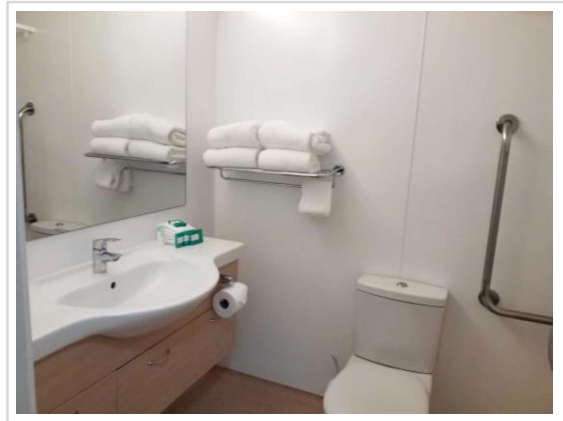


Restaurant

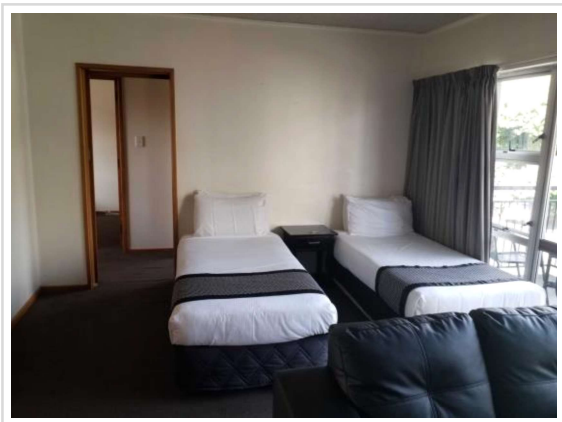
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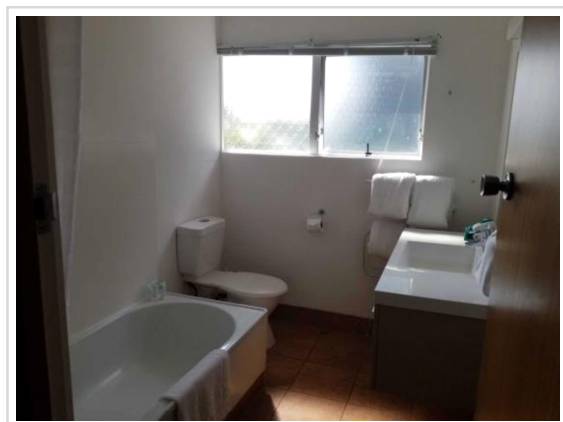
Typical hotel room



Typical hotel bathroom



Typical motel room



Typical motel bathroom

3.8 CAPITAL EXPENDITURE

Historical Capital Expenditure:

Following the acquisition of the property and prior to the management agreement with Scenic Hotels commencing, the owners undertook a partial refurbishment programme primarily focussed on the hotel rooms which were dated together with some works to reception.

This programme was undertaken in 2017/18 and the total expenditure was \$761,089.

Budgeted Capital Expenditure:

We have requested budgeted capital expenditure items from the Owner however they have advised that there is currently no planned capital expenditure to be undertaken

Capital Expenditure Adopted:

Major assets by their very nature require continual expenditure to maintain the aesthetic appeal, structural integrity, and hence their capital value.

Our adopted yield profile reflects any possible capital expenditure throughout the term of our cash flow analysis in recognition of the

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requirement for an ongoing refurbishment program where this is not specifically identified and accounted for.

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Introduction

Land

Improvements

Occupancy

New Zealand
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Waikato Hotel
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4 OCCUPANCY

4.1 OVERVIEW

The property is currently managed by Scenic Hotel Group and operates under the Heartland brand.

A management agreement has been entered into for the management of the property. We confirm that we have reviewed copies of the relevant agreement and our assessment is based on our understanding of the information as supplied. We provide below a summary of the pertinent terms and features of the above.

4.2 MANAGEMENT AGREEMENT

AGREEMENT SUMMARY

Date of Agreement:

Parties: Owner: Ixora Investments Limited
 Operator: Scenic Hotels (Hamilton) Limited

Term: 10 Years and 5 months Expiring 30 June 2029.

Management Fees: Management Fee:
 From Commencement Date until 30 June 2020: 4.0% of Gross Revenue
 From 1 July 2020 to 30 June 2022: 4.5% of Gross Revenue
 From 1 July 2022: 5.0% of Gross Revenue

Gross Operating Fee:

From Commencement Date until 30 June 2020: 3.0% of GOP
 From 1 July 2020 to 30 June 2021: 3.5% of GOP
 From 1 July 2022 to 30 June 2022: 3.75% of GOP
 From 1 July 2022: 4.0% of GOP

FF&E Allowance: 2.00% of Total Revenue

Termination During the period from the Commencement date until the 30th June 2026:

Provisions: i) The Owner shall not sell the Hotel or any interest in the Hotel to any person other than the Operator and no shares in the Owner shall be sold or transferred to any person;
 ii) Neither the Owner nor the Operator shall be entitled to cancel this Agreement except in accordance with its terms following a breach or default by the other party;

Notwithstanding the termination rights provided for in this Agreement, on 1 July 2026, (time being strictly of the essence), either party can serve a written notice on the other party cancelling this Agreement and this Agreement will then terminate on 31 December 2026. If a cancellation notice is served;

i) Subject to ii), neither party shall have a claim against the other in relation to the early termination other than in relation to any prior breach;
 ii) If the Owner serves the notice cancelling the Agreement then the Owner must pay to the Operator the Agreed Compensation being the total

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Management Fees and Gross Operating Fees paid to the Operator in the previous two full financial years.

Other:

The agreement includes a right of first refusal in favour of the Operator. If the Owner wishes to sell or transfer any legal interest in the Hotel it must first offer the Interest to the Operator recoding the price, to be determined by a professional valuer employed by the Owner, and the terms and conditions of the proposed sale or transfer of the Interest.

The Operator shall have 30 working days in which to accept the Offer. IF the Operator does not accept the Offer, the Owner may transfer the Interest at a p[rice and on terms no more favourable to the purchaser than those contained in the Offer at any time within 90 days of the date on which the Offer was first received by the Operator.

In regards to the Termination Provisions clause restricting the sale of the property until 30 June 2026, we note that the Owner and Operator are currently finalising an amendment allowing for the proposed sale of the property, this clause appears to restrict any further sale of the property until 1 July 2026. In order to meet the definition of market value, our valuation assumes that the property can be sold on the open market.

4.3 COMMENT ON MANAGEMENT AGREEMENT

Base fees for hotels operated under a Hotel Management Agreement are typically 2% of Gross Revenue with Incentive fees of 8% of Gross Operating Profit however in recent years, due to strong competition for new management agreements between hotel operators, these fees have compressed to be as low as 1% of Gross Revenue and a scale of Incentive fees between 6% and 8% of GOP based on performance. The base management fee in the case of the subject agreement of 4.0-5.0% of Gross Revenue is above market expectations whilst the GOP fee, which is the equivalent of an incentive fee, at 3.0-4.0% is below market expectations. The total fees payable are broadly in line with other agreements however in this case the fee structure is weighted toward incentivising the Operator to maximise revenue rather than profits.

FF&E Allowances are typically set at 3% of Gross Revenue in order to maintain the quality of the asset although new hotels typically include a stepped percentage over 3-5 years to reflect the new condition of the asset and assist in performance of the hotel during the trading up period. The 2.00% FF&E Allowance is in below market expectations.

Hotel Management Agreements often include termination clauses based on actual performance compared with budget and the operator often has the ability to top up and subsequently claw back any shortfall in performance to stop the termination clause from being exercised. The subject agreement does not include a termination for non-performance however the owner has the ability to terminate the agreement on 1 July 2026 subject to payment of 2 years management fees.

4.4 OPERATOR PROFILE

Scenic Hotel Group are a New Zealand based owner and operator of hotels who operate 17 hotel across New Zealand and one in Niue. There are three brand categories, Legacy Collection, Scenic Hotels Suites and Resort and Heartland Hotels. Heartland Hotels is the Operator's budget brand with 8 hotels branded Heartland in New Zealand.

5 NEW ZEALAND TOURISM MARKET OVERVIEW

Introduction

Some of the following market data is noted to be predominately prior to the outbreak of COVID-19 in late 2019/early 2020. It remains too early to predict the full effect of this event on market conditions due to the ongoing restrictions on international travel. We have used our best endeavours to evaluate the pertinent evidence available.

Tourism is a major contributor to New Zealand's GDP being the largest export sector in the country. Statistics New Zealand's Tourism Satellite Account report provides details on the role tourism plays in New Zealand. The latest report released in December 2020 highlights the following results for the year ending March 2020:

- Total tourism expenditure was \$41.9 billion, an increase of 2.4 percent (\$1.0 billion) from the previous year.
- International tourism expenditure increased 2.2 percent (\$371 million) to \$17.5 billion, and contributed 20.1 percent to New Zealand's total exports of goods and services.
- International student expenditure (studying less than 12 months) was \$4.2 billion, an increase of 7.7 percent.
- Domestic tourism expenditure increased 2.7 percent (\$629 million) to \$24.4 billion.
- Tourism generated a direct contribution to GDP of \$16.4 billion, or 5.5 percent of GDP.
- The indirect value added of industries supporting tourism generated an additional \$11.3 billion, or 3.8 percent of GDP.
- 225,384 people were directly employed in tourism (8.0 percent of the total number of people employed in New Zealand), an increase of 2.5 percent from the previous year.
- Tourists generated \$3.9 billion in goods and services tax (GST) revenue, with \$1.8 billion coming from international tourists.
- Overseas visitor arrivals to New Zealand decreased 5.6 percent.

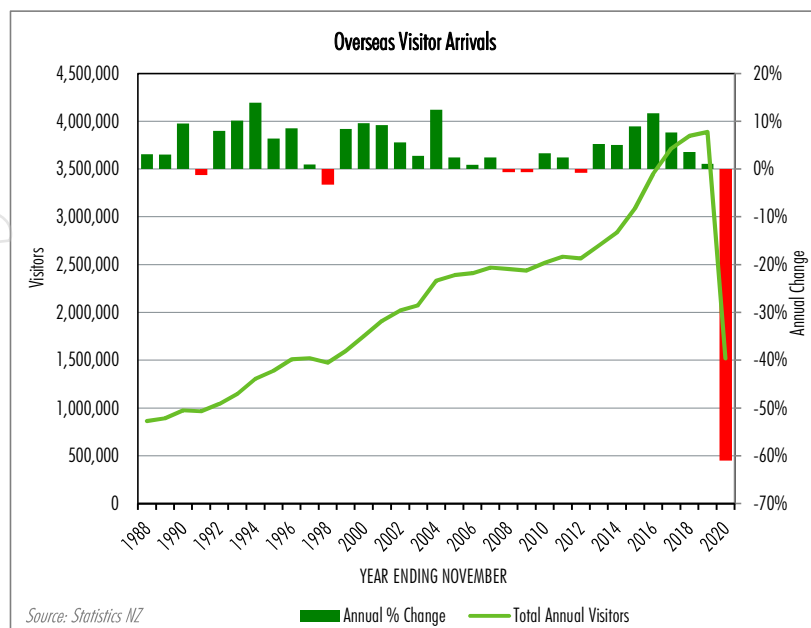
International Visitation

International visitor numbers to New Zealand have experienced annual increases almost every year since the 1980s. Over the five years to December 2019, average annual growth of 5.6% was experienced creating a buoyant environment for the tourism industry. The growth in visitation was driven by a combination of growth in international air capacity, increased marketing presence and improved international economic conditions.

There were approximately 3.89 million visitor arrivals to New Zealand in the year ending December 2019. This was an increase of 0.7% from the previous year.

Following the travel restrictions implemented in February and March 2020 due to the outbreak of COVID-19, international visitor arrivals largely ceased with arrivals confined to New Zealand citizens returning home. International visitor arrivals in April to November 2020 were on average 99% lower than the same month in 2019 resulting in a rolling 12 month decline to November 2020 of 61% with significant further declines expected before turning positive once border restrictions are eased.

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The New Zealand and Australian governments are progressing plans for a 'trans-Tasman bubble' whereby travel between the two countries would be allowed without the need for a quarantine period on arrival. At this stage, New Zealand travellers are able to travel to New South Wales and the Northern Territory without quarantine however Australian travellers are still unable to travel to New Zealand and returning New Zealand travellers are required to quarantine for two weeks on arrival. The Australian market contributed 39.6% of all international visitors to New Zealand in 2019 with 1.54 million visitors. There remains, however, considerable uncertainty as to the timing of a full trans-Tasman bubble being implemented with even greater uncertainty surrounding the timing of the loosening of border restrictions to other countries and international visitor arrivals are expected to remain low for the remainder of 2021.

There are a number of factors which make forecasting a recovery in visitor arrivals in the current environment problematic, these include:

- Uncertainty as to timing and structure of border restrictions being loosened.
- A number of our key source markets are still dealing with continued infections.
- The state of the global economy may be weak once travel can recommence but there are ranging views on how large the effect will be.
- Airlines have been impacted significantly by the sudden loss of demand and it will take time for air connectivity to New Zealand to recover to pre-COVID 19 levels.

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Arrival Composition - 2019

International Visitors - Key Markets

SOURCE MARKET	YEAR ENDING DECEMBER				YOY CHANGE				MARKET SHARE 2019
	2016	2017	2018	2019	'15-'16	'16-'17	'17-'18	'18-'19	
Australia	1,409,200	1,472,160	1,494,541	1,537,988	6.2%	4.5%	1.5%	2.9%	39.6%
China, People's Republic of	409,008	417,872	448,189	407,141	14.9%	2.2%	7.3%	(9.2%)	10.5%
United States of America	291,392	330,128	352,074	367,958	19.9%	13.3%	6.6%	4.5%	9.5%
United Kingdom	220,976	249,264	237,166	231,712	8.3%	12.8%	(4.9%)	(2.3%)	6.0%
Germany	96,848	104,864	102,087	98,050	14.6%	8.3%	(2.6%)	(4.0%)	2.5%
Japan	100,736	102,048	99,784	97,682	15.4%	1.3%	(2.2%)	(2.1%)	2.5%
Korea, Republic of	82,384	91,168	87,853	88,481	26.8%	10.7%	(3.6%)	0.7%	2.3%
Canada	59,760	67,280	71,261	73,037	14.2%	12.6%	5.9%	2.5%	1.9%
Rest of World	829,635	898,923	970,262	986,424	16.4%	8.4%	7.9%	1.7%	25.4%
TOTAL	3,499,939	3,733,707	3,863,217	3,888,473	11.8%	6.7%	3.5%	0.7%	

Source: Statistics New Zealand - International Visitor Arrivals

There was an increase of 2.9% in Australian visitor arrivals in 2019. Australia contributes 39.6% of all visitors to New Zealand illustrating the importance of the Australian source market for tourism business.

The growth in Chinese visitor arrivals has dramatically slowed since 2016/17, and in 2019 there was a decline in growth of 9.2%. China is the second largest annual visitor source since overtaking the US and UK markets during 2012. Holidaymakers comprise the majority (78.6%) of visitor arrivals from China, with the balance in New Zealand to visit friends and relatives and on business. The median length of stay of Chinese visitors is 8.6 days, compared with 9.1 days for all visitor arrivals. This statistic has increased from 3.5 days in 2011.

Visitors from the US increased by 4.5% in 2019 following growth of 6.6% and 13.3% in the previous two years. There has recently been strong air capacity growth to the US.

The UK market experienced a slight decline in visitor numbers of 2.3% in 2019, following an improvement in recent years after a period of decline due to a relatively weak British pound compared to historic levels. Not surprisingly, growth has declined compared to the previous year which is a result of the 2017 British and Irish Lions Tour to New Zealand.

Reason for Visit - 2019

A schedule of the key reasons to visit New Zealand over the past 4 years is shown below:

Travel Purpose to New Zealand

PURPOSE	YEAR ENDING DECEMBER				YOY CHANGE				MARKET SHARE 2019
	2016	2017	2018	2019	'15-'16	'16-'17	'17-'18	'18-'19	
Holiday	1,817,136	1,952,992	2,021,119	1,954,536	16.2%	7.5%	3.5%	(3.3%)	50.3%
Visiting Friends & Relatives	1,020,848	1,075,264	1,097,882	1,066,027	7.3%	5.3%	2.1%	(2.9%)	27.4%
Business	289,392	301,808	301,496	339,685	5.2%	4.3%	(0.1%)	12.7%	8.7%
Education	66,528	65,344	68,151	90,295	9.1%	(1.8%)	4.3%	32.5%	2.3%
Conferences & Conventions	65,824	71,968	76,741	98,840	4.7%	9.3%	6.6%	28.8%	2.5%
TOTAL	3,499,939	3,733,707	3,863,217	3,888,473	11.8%	6.7%	3.5%	0.7%	

Source: Statistics New Zealand - International Visitor Arrivals

As outlined above, 'Holiday' and 'Visiting Friends and Relatives' (VFR) are consistently the dominant reasons for visitation to New Zealand.

With improvements in general economic confidence, 'Business' and 'Conference and Conventions' related visitors have shown improved growth over recent years.

Commercial Accommodation

Stats NZ produced the Accommodation Survey until September 2019 which provided information about short-term commercial accommodation activity. A new data programme has recently launched however at this stage it is too early to match this data to the former Accommodation Survey.

A summary of the guest nights in 'commercial accommodation' and market share of the four categories of commercial accommodation relating to the latest statistics available as at September 2019 are shown as follows:

Guest Nights - Commercial Accommodation

ACCOMM. TYPE	YEAR ENDING SEPTEMBER				YOY CHANGE			
	2016	2017	2018	2019	'15-'16	'16-'17	'17-'18	'18-'19
Hotel	13,485,688	13,802,270	14,277,904	14,570,129	6.3%	2.3%	3.4%	2.0%
Motel	11,927,072	12,285,547	12,429,941	12,497,466	5.1%	3.0%	1.2%	0.5%
Backpacker	5,135,341	5,165,276	5,092,981	5,025,163	4.7%	0.6%	(1.4%)	(1.3%)
Holiday Park	7,492,644	7,769,664	8,258,311	8,452,945	9.0%	3.7%	6.3%	2.4%
TOTAL	38,040,747	39,022,755	40,059,134	40,545,702	6.2%	2.6%	2.7%	1.2%

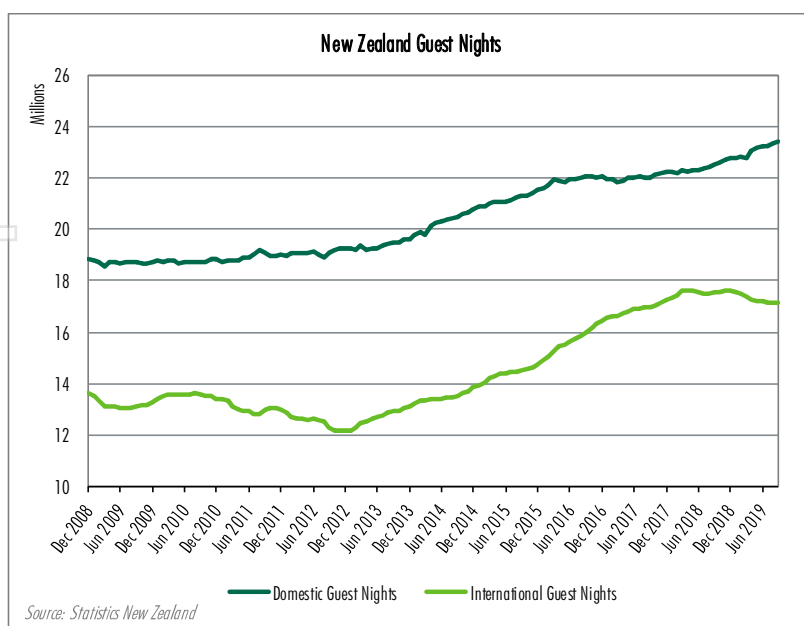
Source: Statistics New Zealand - Accommodation Survey

Total guest nights in commercial accommodation overall increased by 1.2% in 2018/19 following higher levels of growth between 2015/16 to 2017/18.

The 'Hotel' sector has shown sustained growth in the last three years with an increase of 2.3% in 2016/17, 3.4% in 2017/18 and 2.0% in 2018/19.

In terms of guest nights in commercial accommodation (i.e. hotel, motel, backpacker, holiday park) 'domestic' guest nights comprise approximately 58% of total guest nights, while 'international' guest nights comprise approximately 42%.

The following graph highlights the contribution trend between 'domestic' and 'international' guest nights in New Zealand commercial accommodation over the past 10 years.



As illustrated in the chart, 'international' guest nights declined from around 13.6 million in 2010 to a low of around 12.1 million in 2012 from which point a growing trend has eventuated and latest figures show international guest nights at approximately 17.1 million per annum.

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Conversely, 'domestic' guest nights have more or less consistently increased over this time period from around 18.8 to around 23.4 million.

3-5 Star NZ Hotel Market Overview

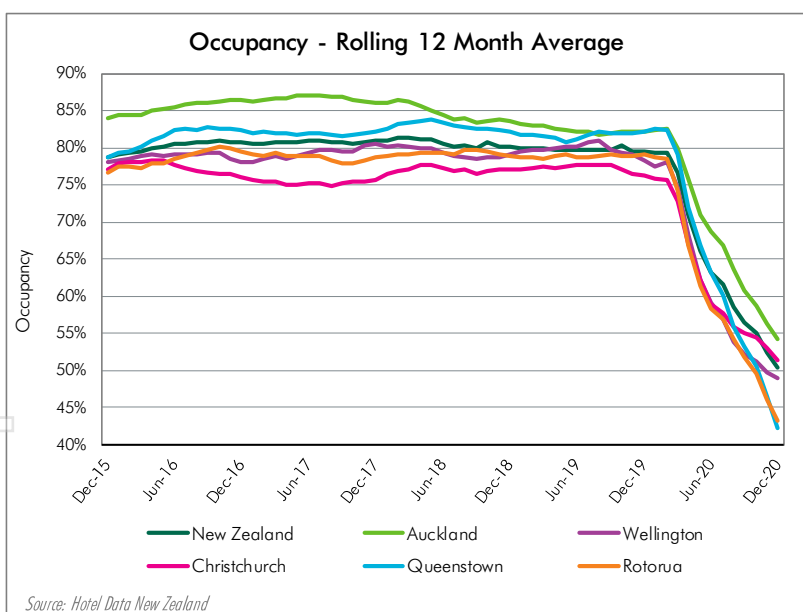
The following information has been sourced from Hotel Data New Zealand (HDNZ). The occupancy and average daily rate benchmarks provide a basis of indexing for forecasting purposes.

Occupancy

Prior to March 2020 the New Zealand tourism industry was experiencing strong demand growth and all hotel markets, with the exception of Christchurch, had achieved gradual increases in occupancy levels to historically high levels. Auckland and Queenstown achieved the strongest occupancy levels of 82.3% and 82.5% respectively compared with a national average of 79.5% in 2019.

Following the border and travel restrictions implemented in March 2020, all of the major markets have experienced severe occupancy declines to record low levels however as the nationwide lockdown was lifted, domestic demand has resulted in a partial recovery in all markets.

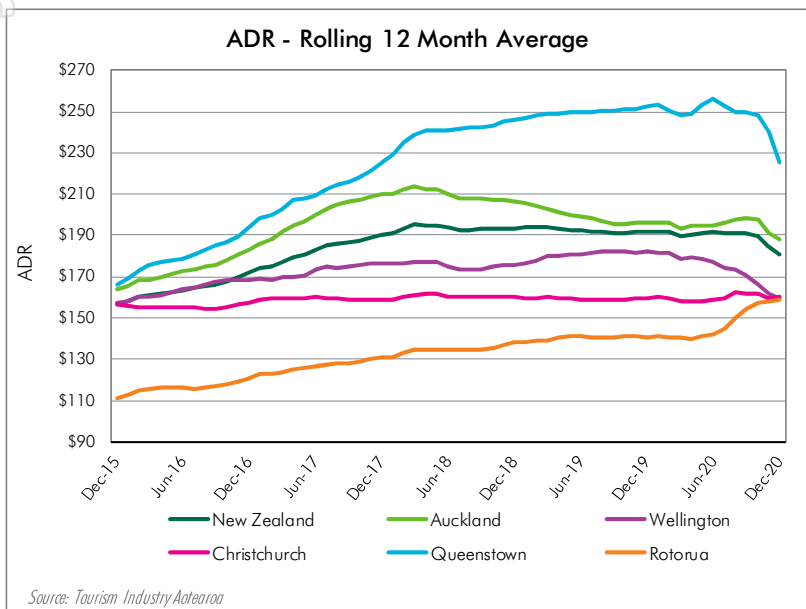
Since mid 2020, the New Zealand Government has contracted with 32 hotels in Auckland, Hamilton Rotorua, Wellington and Christchurch for use as Managed Isolation and Quarantine (MIQ) facilities. These hotels have recorded almost 100% occupancy during this period which has assisted with market occupancy levels in these markets. Auckland has the largest number of MIQ hotels with 18 hotels under contract. The contracts currently expire in April 2020 however we understand that the Government is in negotiations to extend these to the end of the year.



Average Daily Rate (ADR)

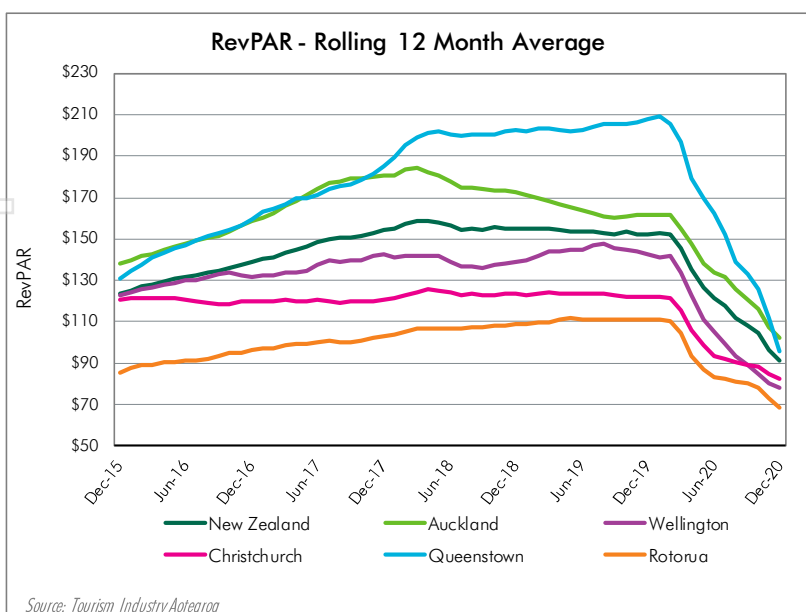
The strong occupancy levels being achieved across the country prior to March 2020 allowed hoteliers to increase rates and, as a result, all markets, with the exception of Christchurch, experienced strong ADR growth between 2015 and 2019. Christchurch hotels have experienced effectively no growth in ADR as the market continues to absorb supply following the earthquake in 2011.

Interestingly, most markets have not experienced significant declines in ADR in the year to date despite the low occupancy rates being recorded. This is partly due to the number of rooms which are under contract with the Government for the purpose of Managed Isolation and Quarantine together with hoteliers' current resistance to lowering rates. Wellington and Queenstown are the exceptions to this with year to date ADR's some 12.4% and 10.5% below 2019 levels respectively.



Revenue Per Available Room (RevPAR)

RevPAR combines occupancy with ADR and therefore is a better overall indicator of trading performance. The following chart shows the strength of the Auckland and Queenstown markets prior to the outbreak of COVID-19. Queenstown overtook Auckland with the highest RevPAR in the country in late 2017 and Christchurch has seen a flat RevPAR profile since 2015. Since March 2020, all markets have seen significant declines in RevPAR as a result of the low occupancy rates recorded.



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6 WAIKATO HOTEL MARKET OVERVIEW

6.1 OVERVIEW

Prior to September 2019, StatsNZ undertook the Accommodation Survey on a monthly basis which detailed the performance of commercial accommodation providers across New Zealand. A replacement to the Accommodation Survey commenced in June 2020 with the Accommodation Data Programme undertaken by Fresh Info however there is currently a gap in the data available. As such we have limited insight into the most recent performance of the hotel sector in Waikato. We have attempted to make comparison with the seven months of data available (June to December 2020) against trends experienced up until September 2019 however some caution should be taken when comparing the two data sources.

The following table provides a summary of hotel supply and demand in Waikato since 2010. Note that the June to December 2020 data is sourced from the newly released Accommodation Data Programme undertaken by Fresh Info whilst all other data relates to the Accommodation Survey undertaken by StatsNZ.

Accommodation Survey - Waikato RTO						
Year End September	No of Establishments	Total Capacity	Unit Nights Available	Unit Nights Sold	Occ (%)	Ave Stay Length
2010	26	1,025	31,180	14,132	45.32	1.79
2011	26	990	30,110	14,154	47.01	1.83
2012	25	976	29,774	13,514	45.39	2.10
2013	24	964	29,323	13,749	46.89	2.06
2014	23	1,007	30,610	15,162	49.53	1.91
2015	21	918	27,912	15,040	53.88	1.94
2016	20	899	27,414	15,943	58.16	1.92
2017	20	874	26,597	17,253	64.87	1.90
2018	20	898	27,317	16,971	62.13	1.81
2019	21	917	27,877	18,234	65.41	1.92
CAAG 5 yr	0.40%	-0.03%	-0.03%	4.93%	4.97%	-0.32%
CAAG 10 yr	-2.41%	-1.23%	-1.24%	2.87%	4.16%	0.76%
Jun-Dec '20	14	919	195,200	99,500	50.97	1.9

Source: StatsNZ, Fresh Info

6.1.1 Occupancy Statistics

Occupancy is a function of Room Nights Sold and Room Nights Available, in other words supply and demand.

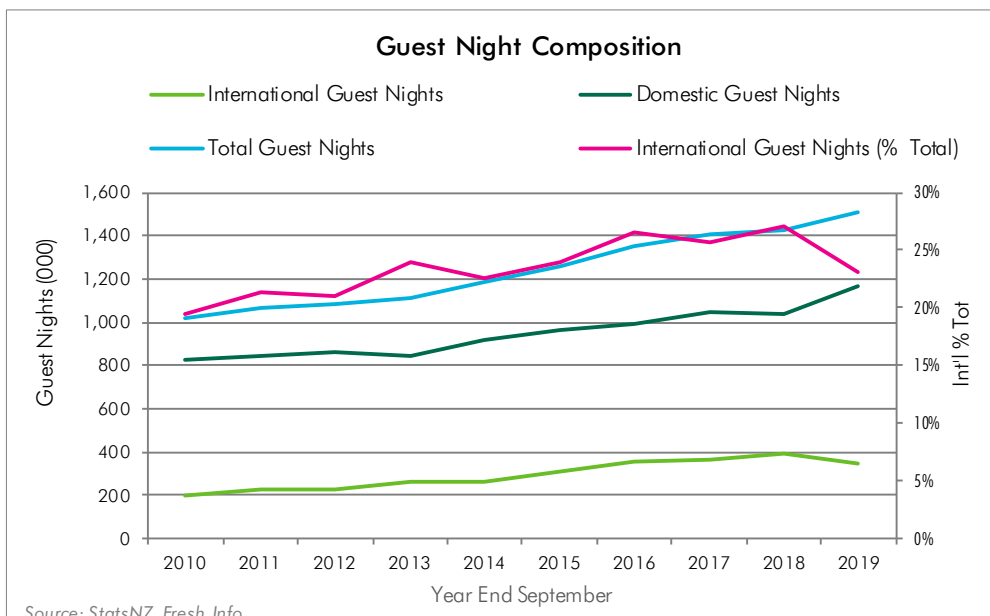
Accommodation Supply

Looking first at capacity, which determines total available supply, we firstly observe that the number of establishments within the Waikato RTO decreased from 26 to 21 facilities between 2010 and 2019 with capacity decreasing from 1,025 to 917 units. The latest data from the Accommodation Data Programme indicating 14 facilities are currently operating with 919 units which we understand is a result of different definitions of hotels and therefore cannot be directly compared.

Accommodation Demand

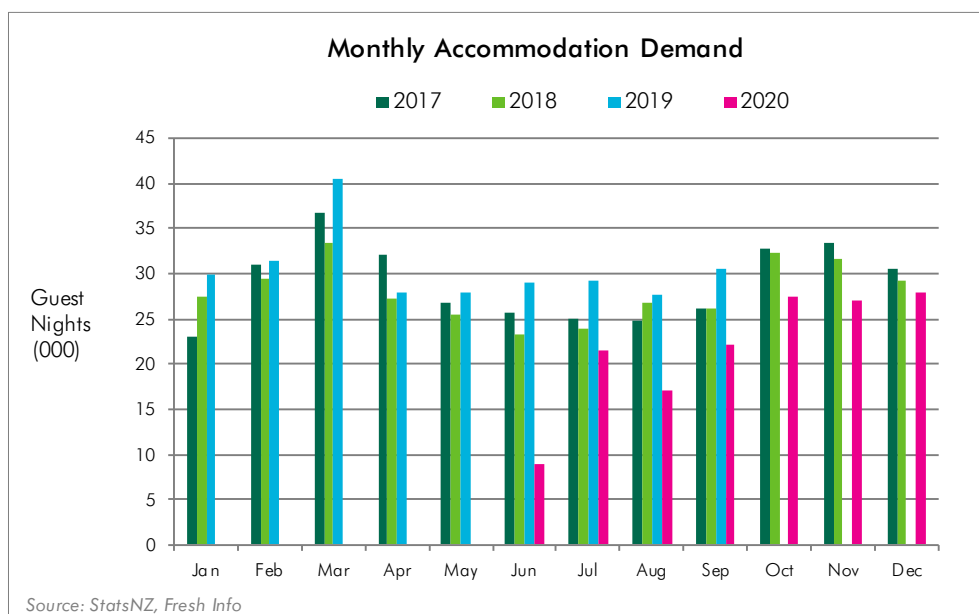
In terms of room nights sold the Waikato RTO has seen compound average growth over the ten year period analysed of 2.87% and 4.93% over the last five years.

The following illustrates the changing nature of demand in the Waikato RTO prior to September 2019, note that this data includes all accommodation types:



Between 2010 and 2018, the proportion of international guests has increased from approximately 19% to 27% as a result of the growth experienced in international visitor arrivals nationwide. The data to September 2019 indicates a decrease in the number of international guest nights combined with an increase in the number of domestic guest nights resulted in a decrease of the share of international guest nights to 23%. The data for June to December 2020 indicates that the share of international guest nights has reduced significantly which is a direct result of the border restrictions implemented since the outbreak of COVID-19.

The following chart illustrates the guest demand for Waikato motels on a monthly basis over the three years to September 2019 as well as the June to December 2020 data.

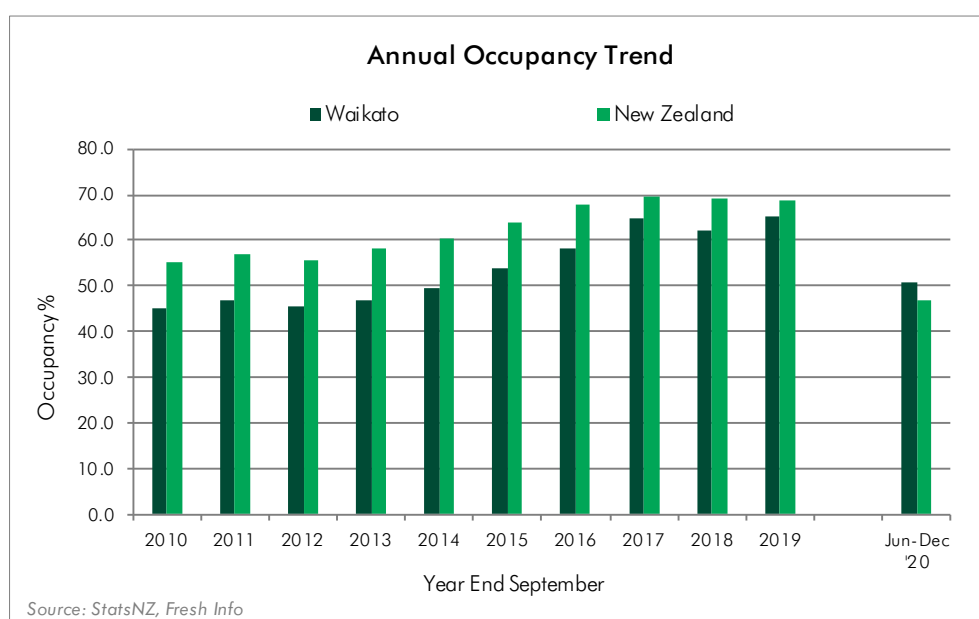


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The Waikato RTO typically experiences a regular pattern of seasonality with the summer months, particularly March, being the strongest months and a general decline in room demand over the winter period. The effect of the decrease in demand resulting from the COVID-19 can be seen clearly in the chart with a decline in demand in June to December 2020. The last three months of 2020 indicate that there has been a strong recovery in demand however we reiterate that this data is sourced from a different provider and caution should be used when drawing conclusions.

Occupancy

We illustrate Waikato hotel occupancy since 2010 in the chart below, which demonstrates a general increasing trend in occupancy rates was experienced between 2010 and 2017 with occupancies remaining relatively flat in 2018 and 2019. Waikato hotels historically experience weaker occupancy levels than the New Zealand wide hotel sector however this trend has reversed in the latest data which is likely to be a result of the lower reliance on international visitors in Waikato hotels.



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7 FINANCIAL TRADING

7.1 INTRODUCTION

We have been provided with historic trading details since the commencement of Scenic Hotels Group management for the financial years ending June 2019 and 2020, plus year to date trading to December 2020 and management's budget for the year ending June 2021. We have also prepared a forecast for the year ending June 2021 based on year to date trading and budget. An analysis of the historic trading, in accordance with the Uniform System of Accounts for Hotels, has been summarised below.

An overview of the financial performance of the property has been compiled, and addresses the business profile, average room rates, occupancy, average spend per guest, department revenue and costs, and overhead and fixed expenses. An analysis of historic trading, together with the parameters adopted in preparing our financial forecast, is included within each commentary.

7.2 HISTORIC TRADING/OPERATOR FORECAST

TRADING SUMMARY

Figures Expressed in NZ\$

	ACTUAL		ACTUAL		BUDGET		YTD BUDGET		YTD ACTUAL		FORECAST	
MONTHS	12	12	12	12	12	12	6	6	6	12		
PERIOD ENDING	Jun-19	Jun-20	Jun-20	Jun-21	Jun-21	Dec-20	Dec-20	Dec-20	Dec-21	Jun-21		
NO OF ROOMS	49	49	49	51	51	51	51	48	50	50		
OCCUPANCY	73.3%	50.2%	53.0%	58.4%	58.4%	67.0%	67.0%	57.1%				
AVERAGE DAILY RATE	118.38	133.83	130.44	129.65	130.84	131.09	131.09	131.09				
REVPAR (NZ\$)	86.72	67.22	69.18	75.77	87.67	74.85	87.67	74.85				
TOTAL REVPOR (NZ\$)	137.92	151.49	146.49	145.77	145.77	145.40	145.40	146.24				
	NZ\$	Ratio	NZ\$	Ratio	NZ\$	Ratio	NZ\$	Ratio	NZ\$	Ratio	NZ\$	Ratio
OPERATING REVENUE												
ROOMS	1,552,201	85.8%	1,208,860	88.3%	1,291,371	89.0%	710,990	88.9%	781,760	90.0%	1,362,141	89.6%
FOOD & BEVERAGE	211,300	11.7%	113,141	8.3%	117,612	8.1%	67,117	8.4%	58,589	6.7%	109,084	7.2%
MOD	44,964	2.5%	46,427	3.4%	41,291	2.8%	21,278	2.7%	28,393	3.3%	48,406	3.2%
TOTAL OPERATING REVENUE	1,808,465	100.0%	1,368,428	100.0%	1,450,274	100.0%	799,385	100.0%	868,742	100.0%	1,519,631	92.8%
DEPARTMENTAL EXPENSES												
ROOMS	716,809	46.2%	673,040	55.7%	489,732	37.9%	291,075	40.9%	295,557	37.8%	494,214	36.3%
FOOD & BEVERAGE	134,016	63.4%	101,973	90.1%	83,833	71.3%	72,177	107.5%	65,259	111.4%	76,915	70.5%
MOD	78	0.2%	157	0.3%	0	0.0%	0	0.0%	501	1.8%	501	1.0%
TOTAL DEPARTMENTAL EXPENSES	850,903	47.1%	775,170	56.6%	573,565	39.5%	363,252	45.4%	361,317	41.6%	571,630	37.6%
DEPARTMENTAL INCOME												
ROOMS	835,392	53.8%	535,820	44.3%	801,639	62.1%	419,915	59.1%	486,203	62.2%	867,927	63.7%
FOOD & BEVERAGE	77,284	36.6%	11,168	9.9%	33,779	28.7%	-5,060	-7.5%	-6,670	-11.4%	32,169	29.5%
MOD	44,886	99.8%	46,270	99.7%	41,291	100.0%	21,278	100.0%	27,892	98.2%	47,905	99.0%
TOTAL DEPARTMENTAL INCOME	957,562	52.9%	593,258	43.4%	876,709	60.5%	436,133	54.6%	507,425	58.4%	948,001	62.4%
UNDISTRIBUTED OPERATING EXPENSES												
ADMINISTRATION & GENERAL	223,883	12.4%	225,710	16.5%	234,681	16.2%	102,273	12.8%	108,403	12.5%	240,811	15.8%
INFO AND TELECOMMS SYSTEMS	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
SALES & MARKETING	23,087	1.3%	16,273	1.2%	14,864	1.0%	7,582	0.9%	11,733	1.4%	19,015	1.3%
PROPERTY OPERATION & MAINT.	111,621	6.2%	96,541	7.1%	74,081	5.1%	38,373	4.8%	35,833	4.1%	71,541	4.7%
UTILITIES	64,366	3.6%	55,401	4.0%	53,381	3.7%	31,561	3.9%	19,725	2.3%	41,545	2.7%
TOTAL UNDISTRIBUTED EXPENSES	422,957	23.4%	393,925	28.8%	377,007	26.0%	179,789	22.5%	175,694	20.2%	372,912	24.5%
GROSS OPERATING PROFIT	534,605	29.6%	199,333	14.6%	499,702	34.5%	256,344	32.1%	331,731	38.2%	575,089	37.8%
MANAGEMENT FEES												
MANAGEMENT FEE - BASE	95,304	5.3%	61,531	4.5%	65,262	4.5%	35,973	4.5%	39,026	4.5%	68,315	4.5%
MANAGEMENT FEE - INCENTIVE	5,767	0.3%	6,151	0.4%	14,991	1.0%	7,725	1.0%	11,088	1.3%	18,354	1.2%
TOTAL MANAGEMENT FEES	101,071	5.6%	67,682	4.9%	80,253	5.5%	43,698	5.5%	50,114	5.8%	86,669	5.7%
INC. BEFORE NON-OP INC. AND EXP.	433,534	24.0%	131,651	9.6%	419,449	28.9%	212,646	26.6%	281,617	32.4%	488,420	32.1%
NON-OPERATING INCOME AND EXPENSES												
LEASE RENT	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
PROPERTY RATES & TAXES	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
PROPERTY INSURANCE	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OTHER OWNER EXPENSES	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL NON-OP INC. AND EXP.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
EBITDA	433,534	24.0%	131,651	9.6%	419,449	28.9%	212,646	26.6%	281,617	32.4%	488,420	32.1%
REPLACEMENT RESERVE (FF&E)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
EBITDA LESS REPLACEMENT RESERVE	433,534	24.0%	131,651	9.6%	419,449	28.9%	212,646	26.6%	281,617	32.4%	488,420	32.1%
OTHER INCOME	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NET INCOME	433,534	24.0%	131,651	9.6%	419,449	28.9%	212,646	26.6%	281,617	32.4%	488,420	32.1%

Prepared Jan-21

7.3 COMPETITIVE SET

The Heartland management team consider the competitive set to comprise the ibis Hamilton Tainui, Ramada by Wyndham Hamilton City Centre, Jet Park Hamilton Airport and Ventura Inn and Suites Hamilton.

Web rating services serve as an excellent third party endorsement of the service and quality offering at the property and play an integral role as travellers' research hotels prior to making bookings. TripAdvisor is regarded as the leading web rating service and we summarise the current ratings of the subject hotel and its competitive set together with the average rates offered on booking.com for the coming 12 months for standard room types. We note that the Ibis Hamilton Tainui and Jet Park Hamilton Airport are both currently under contract with the Government as Managed Isolation and Quarantine hotels and there are limited, or no rates currently advertised for these hotels:

Map Ref.	Property	Class	Rooms	Facilities	TripAdvisor Ratings		Advertised Rates	
1	Heratland Ambassador Hotel	Upscale	51	<ul style="list-style-type: none"> • Restaurant • Meeting Room • Swimming Pool 	Ranking	#15 of 64	Weekday:	\$182
					Overall	4.0	Weekend:	\$183
					Location	4.5		
					Cleanliness	4.0		
					Service	4.0		
					Value	4.0		
2	ibis Hamilton Tainui	Midscale	126	<ul style="list-style-type: none"> • Restaurant & Bar • Meeting Rooms 	Ranking	#14 of 64	Weekday:	\$218
					Overall	4.0	Weekend:	\$216
					Location	4.5		
					Cleanliness	4.5		
					Service	4.0		
					Value	4.0		
	<i>Currently used as MIQ facility, rates available from October 2021</i>							
3	Ramada by Wyndham Hamilton City Centre	Midscale	69	<ul style="list-style-type: none"> • Restaurant • Meeting Room 	Ranking	#46 of 64	Weekday:	\$174
					Overall	3.0	Weekend:	\$177
					Location	4.0		
					Cleanliness	3.5		
					Service	3.5		
					Value	3.0		
4	Jet Park Hamilton Airport	Upscale	62	<ul style="list-style-type: none"> • Restaurant & Bar • Meeting Facilities 	Ranking	#17 of 64	Weekday:	N/A
					Overall	4.5	Weekend:	N/A
					Location	4.5		
					Cleanliness	5.0		
					Service	4.5		
					Value	4.5		
	<i>Currently used as MIQ facility, no rates available</i>							
5	Ventura Inn & Suites Hamilton	Upper Midscale	50	<ul style="list-style-type: none"> • Restaurant • Meeting Room • Swimming Pool 	Ranking	#9 of 64	Weekday:	\$173
					Overall	4.0	Weekend:	\$173
					Location	4.5		
					Cleanliness	4.5		
					Service	4.5		
					Value	4.5		

Average advertised rates on Booking.com for a standard room across next 12 months.

Based on our analysis of the advertised rates for these hotels across the next 12 months, the average rate of the set equates to \$164 (plus GST).

7.4 AVERAGE DAILY RATE & OCCUPANCY

The table below compares the average room rates and occupancy levels of the subject property with the market average of New Zealand 3-5 star hotels and outlines our forecast for each.

Fair Share Analysis for Heartland Ambassador Hotel												
Figures Expressed in NZ\$												
Period	YEAR END	OCCUPANCY			AVERAGE DAILY RATE				REVPAR			
	June	Market	Subject	Index	Market	% Change	Subject	Index	Market	Subject	Index	
Historical												
	2016	78.7%			162.54				127.92			
	2017	79.6%			182.85	12.50%			145.46			
	2018	79.8%			193.00	5.55%			153.97			
	2019	78.0%	73.3%	0.940	191.75	-0.64%	118.38	0.617	149.48	86.72	0.580	
	2020	64.3%	50.2%	0.781	190.84	-0.48%	133.83	0.701	122.76	67.22	0.548	
	AVE	76.1%	61.7%	CAGR	4.1%		13.0%		-1.0%	-22.5%		
Jul-Dec	2020	54.1%	67.0%	1.239	172.15		130.84	0.760	93.13	87.67	0.941	
Forecast	December											
	1	2021	56.3%	64.7%	1.150	176.55	-7.5%	130.65	0.740	99.39	84.58	0.851
	2	2022	65.2%	66.8%	1.025	188.32	6.7%	133.70	0.710	122.79	89.36	0.728
	3	2023	72.3%	70.5%	0.975	196.53	4.4%	134.62	0.685	142.12	94.92	0.668
	4	2024	74.9%	72.3%	0.965	203.49	3.5%	139.39	0.685	152.49	100.80	0.661
	5	2025	78.7%	74.0%	0.940	210.73	3.6%	144.35	0.685	165.91	106.83	0.644
	6	2026	80.1%	75.3%	0.940	215.00	2.0%	147.27	0.685	172.31	110.95	0.644
	7	2027	80.1%	75.3%	0.940	219.30	2.0%	150.22	0.685	175.76	113.17	0.644
	8	2028	79.6%	74.8%	0.940	223.68	2.0%	153.22	0.685	178.10	114.68	0.644
	9	2029	80.1%	75.3%	0.940	228.16	2.0%	156.29	0.685	182.86	117.74	0.644
	10	2030	80.1%	75.3%	0.940	232.72	2.0%	159.41	0.685	186.52	120.10	0.644
	5Yr	AVE	69.5%	69.7%	CAGR	2.0%	1.5%	CAGR	6.2%	9.7%		
	10Yr	AVE	74.8%	72.5%	CAGR	2.0%	1.8%	CAGR	4.3%	6.0%		

Source: Historical data supplied by Hotel Management & STR Global

Forecast by CBRE Hotels

The New Zealand hotel market achieved consistent occupancy rates of between 78.0% and 79.8% between 2016 and 2019. In the year to June 2020, occupancy rates declined nationwide due to the restrictions imposed following the outbreak of COVID-19. We are forecasting occupancy rates to remain subdued through 2020 with continued border restrictions affecting demand before a gradual recovery commences in 2022 as international arrivals return. We are forecasting occupancy rate to recover to pre-COVID-19 levels in 2025.

The subject property achieved an occupancy rate of 73.3% in the year to June 2019 at an index against the market of 0.940. In the year to June 2020, the hotel's occupancy declined to 50.2% at an index of 0.781 with the hotel closed for six weeks from late March and nationwide lockdown affecting demand. The hotel's occupancy rate has recovered in the last 6 months of 2020 to 67.0% with a significantly improved index against the market of 1.239.

Based on the historic trading together with the performance of other hotels in the Hamilton market, we consider a stabilised occupancy rate of approximately 75% to be appropriate for the subject hotel and we expect this to be achieved in 2025. In the short term, we have forecast the hotel to achieve occupancy rates in line with the last 6 months before gradually recovering. We are forecasting the hotel's occupancy rate to grow at a slower rate than the wider market due to the higher proportion of domestic guests relative to the market.

The New Zealand hotel market ADR improved from \$162.54 in the year to June 2016 to \$190.84 in the year to June 2020 with a cumulative average annual growth rate of 4.1%. We are forecasting the market to continue to experience declines in ADR whilst international borders are closed with a recovery expected to commence when international visitation returns.

In the year to June 2019, the subject hotel achieved an ADR of \$118.38 at an index to the wider market of 0.617. The ADR improved in the following year to \$133.83 at an index of 0.701. IN the last 6 months of 2020, ADR has remained relatively stable against the wider market which has declined resulting in an improved index of 0.760.

We have forecast the subject to achieve an ADR in line with the last 6 months in 2021 with gradual improvements in the following years. Given the improved ADR index in light of the hotel having a lower reliance on international guests, we do not expect the hotel to achieve the same growth as the wider market as international arrivals return. As a result, we have adopted an ADR index of 0.75 in the first year of our forecast reducing to a stabilised level of 0.700 from year three.

7.5 ROOMS DEPARTMENT

The following analysis of the Rooms division details historic and forecast average rates and occupancy together with payroll and other costs.

Rooms Department Analysis and Adopted Forecast							
A = Actual, B = Budget, F = Forecast, BM = Benchmark							
MONTHS		A	A	B	ADOPTED	ADOPTED	ADOPTED
PERIOD ENDING		12	12	12	Year 1	Year 2	Year 3
		Jun-19	Jun-20	Jun-21	2021	2022	2023
INCOME							
	OCCUPANCY	73.3%	50.2%	53.0%	64.7%	66.8%	70.5%
	ADR (NZ\$)	118.38	133.83	130.44	130.65	133.70	134.62
	REVPAR (NZ\$)	86.72	67.22	69.18	84.58	89.36	94.92
COSTS							
	Total Rooms Costs						
	NZ\$ POR	54.67	74.51	49.47	58.00	58.29	58.38
	NZ\$ PAR	40.05	37.42	26.24	37.55	38.96	41.16
ROOMS PROFIT							
	NZ\$ POR	63.71	59.32	80.97	72.65	75.41	76.24
	NZ\$ PAR	46.67	29.79	42.95	47.03	50.40	53.76
	% Dep Rev	53.8%	44.3%	62.1%	55.6%	56.4%	56.6%

Revenue has been assessed on the basis of the occupancy and ADR factors previously discussed.

Total rooms costs have been between \$54.67 and \$74.51 Per Occupied Room (POR) over the last two financial years with a profit margin of 53.8% of departmental revenue in 2018/19 and 44.3% in 2019/20 which has affected by COVID-19. The budget indicates cost of \$49.47 POR resulting in a profit margin of 62.1% of departmental revenue. We note that the hotel received a wage subsidy in the 2020 and 2021 financial years and costs are lower as a result during these periods.

According to the TIA Operator Survey, 3-3.5 star hotels in New Zealand averaged rooms costs of \$23.34 Por while 4 star hotels averaged \$43.48 with profit margins of 66.0% and 68.7% respectively. The subject hotel has higher costs and lower profit margins than other hotels indicating potential for savings.

We are forecasting costs of \$58.00 POR in year 1 resulting in a profit margin of 55.6% of departmental revenue with future growth determined by a combination of occupancy, inflation and labour cost expectations.

7.6 FOOD & BEVERAGE DEPARTMENT

Department revenue is derived from the restaurant and meetings.

The following table provides an overview of the Food and Beverage (F&B) department.

Food & Beverage Department Analysis and Adopted Forecast							
A = Actual, B = Budget, F = Forecast, BM = Benchmark							
MONTHS		A	A	B	ADOPTED	ADOPTED	ADOPTED
PERIOD ENDING		12	12	12	Year 1	Year 2	Year 3
		Jun-19	Jun-20	Jun-21	2021	2022	2023
INCOME							
F & B Total	NZ\$ POR	16.12	12.53	11.88	11.50	12.50	14.00
	NZ\$ PAR	11.80	6.29	6.30	7.45	8.35	9.87
COSTS							
TOTAL F & B COSTS	% Dep Rev	63.4%	90.1%	71.3%	75.0%	73.9%	72.0%
	NZ\$ POR	10.22	11.29	8.47	8.63	9.23	10.09
Food & Beverage Profit	% Dep Rev	36.6%	9.9%	28.7%	25.0%	26.1%	28.0%
	NZ\$ POR	5.89	1.24	3.41	2.88	3.27	3.91

The hotel achieved F&B revenue of \$16.12 POR in the 2018/19 financial year. IN the following year F&B revenue reduced considerably due to lower occupancy and spend per guest.

We have forecast F&B revenue in line with the budget in year one improving to \$14.00 POR I year three. Costas have been forecast in line with budget in year one and increasing to pre-COVID levels in year three.

7.7 UNDISTRIBUTED OPERATING EXPENSES

The Uniform System of Accounts for Hotels provides for four categories of expenses which relate to the operation of the hotel and which are not easily identified with any one operating department. The table below provides our analysis of past trading, and management's budget plus details of those ratios adopted in our cash flow forecast for the hotel.

Undistributed Operating Expenses Analysis and Adopted Forecast							
A = Actual, B = Budget, F = Forecast, BM = Benchmark							
MONTHS		A	A	B	ADOPTED	ADOPTED	ADOPTED
PERIOD ENDING		12	12	12	Year 1	Year 2	Year 3
		Jun-19	Jun-20	Jun-21	2021	2022	2023
UNDISTRIBUTED OPERATING EXPENSES							
ADMINISTRATION & GENERAL							
Total A & G Costs	NZ\$ PAR	12.51	12.55	12.57	13.00	13.29	13.67
	% Gross Rev	12.4%	16.5%	16.2%	13.6%	13.1%	12.6%
SALES & MARKETING							
Total S & M Costs	NZ\$ PAR	1.29	0.90	0.80	1.20	1.25	1.34
	% Gross Rev	1.3%	1.2%	1.0%	1.3%	1.2%	1.2%
PROPERTY OPERATION & MAINT.							
Total POM Costs	NZ\$ PAR	6.24	5.37	3.97	5.75	5.97	6.32
	% Gross Rev	6.2%	7.1%	5.1%	6.0%	5.9%	5.8%
UTILITIES							
	NZ\$ POR	4.91	6.13	5.39	5.02	5.02	4.97
	NZ\$ PAR	3.60	3.08	2.86	3.25	3.36	3.50
	% Gross Rev	3.6%	4.0%	3.7%	3.4%	3.3%	3.2%
TOTAL UNDISTRIBUTED EXPENSES							
	NZ\$ POR	32.26	43.61	38.08	35.84	35.70	35.22
	NZ\$ PAR	23.63	21.90	20.20	23.20	23.86	24.83
	% Gross Rev	23.4%	28.8%	26.0%	24.4%	23.6%	22.9%

Administration and General expenses have been consistent at between \$12.51 and \$12.57 per available room (PAR) for the past three years (including the current budget). We adopt the same in our forecast.

Sales and Marketing costs reduced from \$1.29 PAR in 2018/19 to \$0.90 in 2019/20 and further reductions to \$0.80 are allowed for in the current budget. We expect marketing costs to increase from the current levels to attract remand in a competitive trading environment and adopt \$1.20 PAR in year one of our forecast.

Property Operations and Maintenance costs have also decreased from pre-COVID levels as management attempt to reduce costs. We have prepared our forecast on the basis that these costs will return to previous levels in order to maintain the quality of the asset.

Utilities have increase on a POR basis but reduced on a PAR basis as occupancy levels have reduced. We have prepared our forecast on a PAR basis with costs expected to increase from current levels toward pre-COVID levels as occupancy rates recover.

Total Undistributed Operating Expenses (UOE) equated to 23.4% of gross revenue in 2018/19 increasing to 28.8% in 2019/20. The budget indicates UOE of 26.0% however we note that the actual trading in the year to date has outperformed the budget with UOE of 20.2% compared with a year to date budget of 22.5%. We have forecast UOE at 24.4% in year one reducing to 22.9%.

7.8 MANAGEMENT FEES

Management fees have been calculated in accordance with the management agreement as follows:

Base Fee:	From 1 July 2020 to 30 June 2022:	4.5% of Gross Revenue
	From 1 July 2022:	5.0% of Gross Revenue
Incentive Fee:	From 1 July 2020 to 30 June 2021:	3.5% of GOP
	From 1 July 2022 to 30 June 2022:	3.75% of GOP
	From 1 July 2022:	4.0% of GOP

7.9 OVERHEAD EXPENSES

Property Costs

Overhead property costs include Insurance and Rates and Taxes. Rates have been forecast based on current council records and insurance costs have been based on market benchmarks.

Furniture, Fittings & Equipment Reserve

It is common for hotel management agreements to provide for the provision of a reserve to fund ongoing works (not of a capital nature) to ensure that the quality of the hotel in terms of FF&E (furniture, fittings and equipment) is maintained to a standard to ensure trading is not compromised.

As per the terms of the management agreement, an allowance of 2.00% of total revenue has been included within our forecast.

7.10 CPI & WAGES INDICES

As detailed earlier, revenues have been assessed on the basis of market opinion and not an indexation factor. Operational costs and expenses are varied in accordance with occupancy and inflationary effects, in this respect we have relied upon the following forecasts prepared by the New Zealand Institute of Economic Research (NZIER) and Westpac.

	Forecast Year Ending December									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Inflation rate	1.60%	1.60%	1.80%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Labour Cost	1.07%	1.40%	1.48%	1.65%	1.84%	2.01%	2.09%	2.09%	2.09%	2.09%

7.11 SUMMARY OF TRADING FORECAST

A summary of our 5 year cash flow forecast for the property follows:

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TRADING FORECAST

(Expressed in Escalated Values - NZ\$)

PERIOD	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5	
Year Ending December	2021		2022		2023		2024		2025	
NO OF ROOMS	51		51		51		51		51	
OCCUPANCY	64.7%		66.8%		70.5%		72.3%		74.0%	
AVERAGE DAILY RATE	130.65		133.70		134.62		139.39		144.35	
ADR GROWTH			2.3%		0.7%		3.5%		3.6%	
REVPAR (NZ\$)	84.58		89.36		94.92		100.80		106.83	
	NZ\$	Ratio	NZ\$	Ratio	NZ\$	Ratio	NZ\$	Ratio	NZ\$	Ratio
OPERATING REVENUE										
ROOMS	1,574,476	88.8%	1,663,499	88.4%	1,766,956	87.5%	1,881,467	87.7%	1,988,588	87.9%
FOOD	138,591	7.8%	155,520	8.3%	183,758	9.1%	192,371	9.0%	200,268	8.9%
FOOD & BEVERAGE	138,591	7.8%	155,520	8.3%	183,758	9.1%	192,371	9.0%	200,268	8.9%
MOD	60,257	3.4%	63,203	3.4%	67,745	3.4%	70,920	3.3%	73,831	3.3%
TOTAL OPERATING REVENUE	1,773,324	100.0%	1,882,222	100.0%	2,018,458	100.0%	2,144,759	100.0%	2,262,687	100.0%
DEPARTMENTAL EXPENSES										
ROOMS	698,981	44.4%	725,267	43.6%	766,229	43.4%	795,862	42.3%	822,362	41.4%
FOOD & BEVERAGE	103,943	75.0%	114,884	73.9%	132,383	72.0%	136,976	71.2%	141,087	70.4%
MOD	301	0.5%	316	0.5%	339	0.5%	355	0.5%	369	0.5%
TOTAL DEPARTMENTAL EXPENSES	803,225	45.3%	840,467	44.7%	898,950	44.5%	933,192	43.5%	963,818	42.6%
DEPARTMENTAL INCOME										
ROOMS	875,495	55.6%	938,232	56.4%	1,000,727	56.6%	1,085,605	57.7%	1,166,226	58.6%
FOOD & BEVERAGE	34,648	25.0%	40,636	26.1%	51,375	28.0%	55,395	28.8%	59,180	29.6%
MOD	59,956	99.5%	62,887	99.5%	67,406	99.5%	70,566	99.5%	73,462	99.5%
TOTAL DEPARTMENTAL INCOME	970,099	54.7%	1,041,755	55.3%	1,119,508	55.5%	1,211,566	56.5%	1,298,869	57.4%
UNDISTRIBUTED OPERATING EXPENSES										
ADMINISTRATION & GENERAL	241,995	13.6%	247,343	13.1%	254,501	12.6%	261,163	12.2%	266,897	11.8%
SALES & MARKETING	22,338	1.3%	23,308	1.2%	24,933	1.2%	26,021	1.2%	26,995	1.2%
PROPERTY OPERATION & MAINT.	107,036	6.0%	111,045	5.9%	117,658	5.8%	122,239	5.7%	126,294	5.6%
UTILITIES	60,499	3.4%	62,462	3.3%	65,206	3.2%	67,412	3.1%	69,375	3.1%
TOTAL UNDISTRIBUTED EXPENSES	431,868	24.4%	444,158	23.6%	462,298	22.9%	476,835	22.2%	489,562	21.6%
GROSS OPERATING PROFIT	538,231	30.4%	597,597	31.7%	657,210	32.6%	734,732	34.3%	809,307	35.8%
MANAGEMENT FEES										
MANAGEMENT FEE - BASE	79,800	4.5%	89,406	4.8%	100,923	5.0%	107,238	5.0%	113,134	5.0%
MANAGEMENT FEE - INCENTIVE	16,618	0.9%	19,692	1.0%	22,251	1.1%	25,100	1.2%	27,847	1.2%
TOTAL MANAGEMENT FEES	96,418	5.4%	109,098	5.8%	123,174	6.1%	132,338	6.2%	140,981	6.2%
INC. BEFORE NON-OP INC. AND EXP.	441,813	24.9%	488,499	26.0%	534,036	26.5%	602,394	28.1%	668,326	29.5%
NON-OPERATING INCOME AND EXPENSES										
LEASE RENT	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
PROPERTY RATES & TAXES	44,465	2.5%	45,176	2.4%	45,899	2.3%	46,853	2.2%	47,660	2.1%
PROPERTY INSURANCE	27,923	1.6%	28,369	1.5%	28,823	1.4%	29,422	1.4%	29,929	1.3%
OTHER OWNER EXPENSES	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL NON-OP INC. AND EXP.	72,387	4.1%	73,545	3.9%	74,722	3.7%	76,276	3.6%	77,589	3.4%
EBITDA	369,426	20.8%	414,954	22.0%	459,314	22.8%	526,118	24.5%	590,737	26.1%
REPLACEMENT RESERVE (FF&E)	35,466	2.0%	37,644	2.0%	40,369	2.0%	42,895	2.0%	45,254	2.0%
EBITDA LESS REPLACEMENT RESERVE	333,959	18.8%	377,309	20.0%	418,945	20.8%	483,223	22.5%	545,483	24.1%
OTHER INCOME	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NET INCOME	333,959	18.8%	377,309	20.0%	418,945	20.8%	483,223	22.5%	545,483	24.1%

8 INVESTMENT MARKET

8.1 COVID-19 MARKET UPDATE

The situation due to the COVID-19 pandemic has continued to evolve since the end of the nationwide Alert Level 4 lockdown on 27 April 2020. As at the time of reporting Auckland is currently in Alert Level 3 whilst the remainder of the country is at Alert Level 2 due to a small number of community cases in Auckland. Prior to the latest alert level change, domestic economic activity was essentially functioning in a normal manner, New Zealand's borders remain closed.

The market has shown better than expected sentiment upon exiting the Alert Level 4 lockdown. Prime properties (particularly those leased to Government or healthcare providers, or those with long term leases to reputable tenants) remained strongly sought after with analysed yields showing no material discount from pre-lockdown, buoyed in part by interest rates continuing to fall through 2020 to record low levels. Industrial property has proven to be the least affected sector. The residential market has surged since restrictions were lifted, with July 2020 being the strongest July since 2015.

Notwithstanding the above, there remains a significant amount of uncertainty in the market because of the economic impacts of COVID-19. Whilst prime properties are strongly sought after, secondary properties have yet to transact in sufficient depth to determine any value trends. Questions remain over the office and retail leasing markets. The Tourism, Retail and Hospitality sectors remain the worst affected by the pandemic and material value discounting is evident.

To assist the economy, the Government has set aside NZD\$50 billion for the "COVID-19 Response and Recovery Fund", which will encompass a range of initiatives to support economic recovery. A key pillar is the extension of the Wage Subsidy Scheme to consider the most recent lockdowns. Further economic stimulus is expected. We expect the most recent lockdown to have a limited impact on market sentiment.

Ultimately, we are closely mapping global economic indicators along with local markets to observe any trends that may be emerging in response to the COVID 19 outbreak and ongoing impacts of the subsequent lockdown response. Given the foregoing market uncertainty, we recommend our valuations are reviewed periodically over the coming months to reflect the duration and severity of impact COVID-19 has on New Zealand and its economy.

8.2 HOTEL INVESTMENT MARKET COMMENTARY

The key metrics derived from our analysis of property transactions that have occurred during recent years indicates that prior to the outbreak of COVID-19 the commercial property market was at or approaching a cyclical peak. Strong trading conditions being achieved throughout the country created heightened interest in hotel investments with limited supply, particularly for prime property with existing assets being tightly held. This environment resulted in downward pressure on achievable yield levels, and an increase in value levels.

Following the outbreak of COVID-19 there is a degree of uncertainty to the investment market for hotel assets and the yield profile for hotel investment is currently unclear as the market pauses to appreciate the economic effects caused by the government action to control the spread of the COVID-19 pandemic. We refer the reader to our Market Risk Comment for further discussion on this matter.

A prolonged outbreak could have a significant (and yet unknown or quantifiable) impact on certain sectors of the property market. Comparable transactions and market evidence since the outbreak are very limited. Our valuation is based on the information available to us at the date of valuation.

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There is a significant degree of uncertainty around the short-term trading conditions and timing of a recovery in demand. The one clear effect of the dramatic reduction in tourism property business revenue and profits, or in some instances the closure and complete income dissipation, is that investors have switched from viewing acceptable investment yields in terms of initial yield towards a stabilised yield that would be expected from the investment once the business has returned to more normalised levels and to extend their investment horizon over a longer period. This shift has seen the method of assessment change to one of assessing value based on future income expectation and then deducting the income shortfall that is expected until that time of business recovery and stabilisation as well as potentially extending investment expectations to 10 years rather than 5 years.

International investors are unable to inspect properties that are taken to the market due to the current travel restrictions which largely excludes these groups from any sales process. In saying this however, despite strong international interest in the hotel market in New Zealand, the majority of transactions in recent years have been by domestic investors and based on anecdotal evidence, this group remains active at this stage.

As a result of the current conditions, we expect there to have been a softening in hotel values. This needs to be balanced with the long term nature of hotel investment, the strong underlying fundamentals of the market in the medium term and the market's understanding of such events being a real possibility. Furthermore, the Reserve Bank of New Zealand has reduced the Official Cash Rate on 16 March 2020 to a record low level of 0.25% for a minimum of 12 months and this is likely to continue beyond the initial 12 months.

If economic and property market conditions deteriorate further in the future, then the market value of this asset is likely to decline. This inherent risk factor should be considered in any lending or investment decisions.

8.3 HOTEL SALES VOLUMES

In general, transaction volumes in the New Zealand hotel market have been limited, due primarily to the lack of available opportunities with hotels remaining tightly held.

18 transactions occurred in 2016 with a total sales value of \$271.9 million continuing the strong trends of 2015. There were no major hotel transactions in 2017 however 6 secondary properties transacted at a total sale value of \$75.5 million. Twelve transactions occurred in 2018 at a total sale value of \$234.4 million and there were seven hotels sold in 2019 at a sale price of \$319.7 million which includes the transaction of a portfolio of 3 hotels. There has been only one significant transaction so far in 2020 being the acquisition of the subject property.

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The following table summarises hotel sale volumes that have occurred since 2010:

YEAR	TRANSACTION VOLUME (\$M)	NUMBER OF TRANSACTIONS	AVERAGE PRICE PER ROOM (\$)
2010	225.5	5	118,684
2011	113.0	4	141,250
2012	32.1	4	93,440
2013	35.0	3	70,281
2014	123.6	6	135,282
2015	278.7	12	219,621
2016	271.9	18	161,743
2017	75.5	6	218,208
2018	234.4	12	229,088
2019	367.2	8	353,757
2020	85.2	3	539,241

8.4 HOTEL SALES

A summary of the major recent New Zealand hotel sales is provided below. Most of these transactions were completed prior to the outbreak of the Novel Coronavirus (COVID-19) in early 2020.

HOTEL	SALE PRICE	SALE DATE	ROOMS	RATING	PRICE PER ROOM	INITIAL YIELD	STABILISED YIELD	ANALYSED IRR
Discovery Lodge Queenstown	\$20,000,000	Nov-20	65	3.5	\$307,692	1.5%	7.4%	9.9%
The White Morph Kaikoura	\$6,200,000	Nov-19	31	4	\$200,000	-	-	-
Novotel New Plymouth Hobson	\$23,000,000	Nov-18	85	4	\$270,588	6.00%	6.98%	10.49%
Heartland World Heritage Hotel	\$7,380,000	Oct-18	50	3	\$147,600	11.20%	11.20%	13.30%
Hotel Coachman Palmerston North	\$8,600,000	Sep-18	72	4.5	\$119,444	8.39%	-	-
Wai Ora Lakeside Spa Resort Rotorua	\$8,238,888	Aug-18	30	4.5	\$274,630	7.48%	8.06%	11.18%
Paihia Beach Resort & Spa Hotel	\$5,400,000	Mar-18	21	5	\$257,143	-	-	-
The Waterfront Hotel New Plymouth	\$11,900,000	Feb-18	42	4	\$283,333	8.75%	-	-

There have been no transactions of comparable properties since the COVID-19 outbreak and therefore a greater degree of professional judgement is required in preparing our valuation. We briefly discuss some of the relevant hotel sales as follows:

8.5 KEY SALES EVIDENCE COMMENTARY

Novotel New Plymouth Hobson



View the property in [Google Maps](#)

Description: The Novotel New Plymouth Hobson comprises an 85 room, 4 star hotel constructed in 2015 and located on a 5,223 sqm site on the corner of Hobson and Leach Streets. The hotel features a restaurant and bar, conference facilities, gymnasium and car parking for 68 vehicles. The property has an A grade seismic rating. The hotel is operated under a franchise agreement with AccorHotels. The hotel sold in November 2018 to Ngamotu Hotels for a price between \$22,212,500 and \$23,875,000 based on the performance of the hotel in 2019. Our analysis is based on a sale price of \$23,000,000, as reported, which reflects an initial yield of 6.00%, stabilised yield of 6.98%, IRR of 10.49% (after an allowance for management fees) and a price per room of \$270,588.

Comparability: This property comprises a larger scale hotel of superior quality however in a more provincial location which is less attractive to hotel investors. This transaction was considered to be above market levels at the time of sale with a firmer yield profile than other transactions would support.

Hotel Coachman, Palmerston North

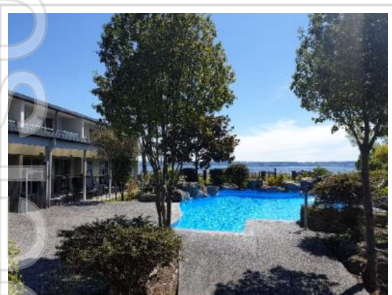


View the property in [Google Maps](#)

Description: The Hotel Coachman is situated on a 7,058m² freehold corner site (split into 5 separate titles) approximately 800 metres south of Palmerston North town centre. The complex comprises 72 units, restaurant & bar, conference facilities, retail units and recreational facilities including a gym, outdoor swimming pool and indoor and outdoor spa pools. The 2 level motel complex comprising 29 motel units was built in 1969 and has been extended and upgraded between 1973 and 2009, the 3 level hotel complex comprising 42 hotel rooms was built in 1986. The property also includes a standalone 2 bedroom villa built in 1975. The property sold to Distinction Hotel Group at or around \$8,600,000 (asking price). We understand the sale reflects a passing yield of 6.94% and an initial yield of 8.39% assuming notional management and a deduction of approximately \$400,000 for strengthening works.

Comparability: This is a comparable quality property in a provincial location which we consider is the best comparable to the subject property overall.

Wai Ora Lakeside Spa Resort Rotorua



View the property in [Google Maps](#)

Description: A 30 room, 4.5 star hotel located in a prime lakeside position in Rotorua. Other facilities include a restaurant and bar, day spa, recreational facilities and car parking. The property sold in August 2018 for \$8,238,888 on a vacant possession basis, reflecting a stabilised yield of 8.06% and a price per room of \$274,630. We note that the analysed metrics are before management fees.

Comparability: This property is of a smaller scale to the subject however superior in quality. We would expect a comparable yield profile in regards to the subject with a higher rate per room.

The Waterfront Hotel, New Plymouth



View the property in [Google Maps](#)

Description: The Waterfront Hotel is located on a 1,149 waterfront site on the corner of Egmont and St Aubyn Streets. The property comprises a 3 level boutique hotel including 39 hotel suites, 2 penthouse apartments and one executive apartment as well as Salt Restaurant, a function and bar area, foyer, back office and service areas. Undercover parking is provided on the ground level. The property is 100% NBS and Seismic Grade 'A' with a floor area of approximately 3,384m².

We have been advised that the property was leased to related parties and was purchased on a vacant possession by Millennium & Copthorne Hotels.

Comparability: This property comprises a smaller scale hotel although provides a superior quality asset. The New Plymouth market is less attractive to hotel investors. Overall a comparable transaction to the subject in regards to yield with a higher rate per room expected. We note that the investment market has firmed since this transaction took place.

8.6 FURTHER EVIDENCE

In addition to the above transactions we note the sale of the Hygate Motor Lodge at 299 Ulster Street, Hamilton. This property comprises a 22 room, 4-star motel and conference centre which is subject to a long lease expiring in 2051. The property sold in October 2020 for \$4,300,000 representing a price per unit of \$195,455. Whilst not directly comparable as the property is subject to a lease and therefore more appealing to passive investors, this transaction provides a degree of support to our valuation due to the location, property type and recent nature of the transaction.

8.7 CONCLUSION

Considering all of the sales evidence discussed, together with the asset specific attributes highlighted in the SWOT and Risk Analysis Section of this report, we conclude investment parameters for the subject property as follows:

Market Parameters	Range		
Stabilised Yield	7.25%	to	8.25%
10 Years IRR	8.75%	to	10.75%

In concluding the adopted investment parameters we have particularly taken note of the following value drivers for the subject property:

- Managed by a large local operator under a long management agreement.
- Basic quality product with recent upgrades to hotel rooms.
- Current uncertainty around tourism environment due to ongoing impacts of COVID-19.
- High reliance on domestic guests.
- Low income expected in short term before recovery.
- Attractive investment quantum.
- Low resultant value per room.
- Regional location.
- Low mortgage interest rate structure prevailing.

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9 VALUATION

9.1 VALUATION APPROACHES

As instructed, this assessment is of the freehold interest in the property on a going concern basis, within accordance with the management terms as outlined previously in this report. The valuation assessment includes all improvements, plant and machinery, and business goodwill, however, excludes stock.

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular have investigated a broad range of market evidence and the trading performance of comparable properties. We have also reviewed historic trading levels and the future trading potential of the property. We have primarily considered the future trading potential of the property.

Our assessment has been made based on the following valuation approaches:

- Capitalisation Approach
- Discounted Cash Flow Approach

9.2 CAPITALISATION ANALYSIS – STABILISED EBITDA

This analysis is used where the income stream is expected to vary greater than the rate of underlying inflation due to foreseeable changing market conditions, a recovering or declining business following an internal or external event, or to reflect the effect of capital expenditure.

This analysis takes into account the forecast income over the first five years of the cash flow, which allows adjustment in income from current levels to anticipated levels of trading, reflecting our forecast of market conditions.

In this analysis we have capitalised the projected net income in perpetuity at an adopted investment yield of 7.75%.

The capitalisation of Stabilised Year 5 EBITDA analysis suggests a value of NZ\$6,200,000.

Our full valuation calculations follow, including sensitivity analyses based on variations to the adopted capitalisation rate, ADR and occupancy rate. A running yield analysis based on the adopted value is also provided.

CAPITALISATION: STABILISED YEAR APPROACH

Figures Expressed in NZ\$

Valuation Date 27-Jan-21

Period	Net Operating Income	Discounted for Inflation	Income Adjustments	Capitalised in Perpetuity @ 7.75%
Stabilised Year 5	545,483	508,916		6,566,658
Year 1	333,959	333,959	-174,957	-162,373
Year 2	377,309	371,368	-137,548	-118,473
Year 3	418,945	405,853	-103,063	-82,385
Year 4	483,223	459,846	-49,070	-36,404
Total Adjustments				-399,635
Capitalised in Perpetuity				6,167,023
Capex Required				0
Other Adjustments				0
				6,167,023
Valuation Rounded To:				6,200,000
			Value per Room (NZ\$)	121,569

Yield on Value and Capex

Year 1 Net Operating Income (NZ\$)	333,959	5.4%
Year 2 Net Operating Income (NZ\$)	377,309	6.1%
Year 3 Net Operating Income (NZ\$)	418,945	6.8%

Stabilised Yield Sensitivity

8.25%	5,800,000
7.75%	6,200,000
7.25%	6,600,000

ADR & Occupancy Sensitivity

ADR	Occupancy		
	-5.00%	0.00%	5.00%
-5.00%	4,300,000	5,100,000	5,900,000
-2.50%	4,800,000	5,600,000	6,500,000
0.00%	5,300,000	6,200,000	7,000,000
2.50%	5,800,000	6,700,000	7,600,000
5.00%	6,300,000	7,200,000	8,200,000

9.3 DISCOUNTED CASH FLOW ANALYSIS

This form of analysis allows an investor or owner to make an assessment of the longer term return that is likely to be derived from a property with a combination of both income and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including a target or pre-selected internal rate of return, income growth, sale price of the property at the end of the investment horizon, potential capital expenditure, costs associated with the initial purchase of the property and also its disposal at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a ten year investment horizon. We have assumed that the property is sold at the commencement of the eleventh year in regard to the ten year discounted cash flow. The cash flow analysis comprises annual income streams and we have discounted the income of each year of the cash flow on a midpoint basis, which assumes an income of six months in arrears and six months in advance.

The analysis proceeds on a before tax basis, and while we have not qualified any potential taxation benefits associated with the property, we are of the view that these are an issue which a prospective purchaser would reflect in its consideration.

The analysis is predicated on the assumption of a cash purchase. No allowance for interest and other funding costs have been made.

Our cash flow analysis is based on the future trading and capital expenditure estimates detailed previously, and the following specific assumptions:

DCF Assumptions	10 yr
Total Acquisition Costs	0.25%
Selling Costs	1.25%
Terminal Yield	8.25%
Discount Rate	9.75%

The ten year discounted cash flow analysis suggests a value of NZ\$6,200,000.

Our detailed calculations follow over page; including sensitivity analyses based on variations to the discount rate and terminal yield, and ADR and occupancy rate. A running yield analysis over the cash flow horizon is also provided.

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9.4 VALUATION RECONCILIATION

We summarise our various approaches to value for the Heartland Ambassador Hotel as at 27 January 2021 as follows:

Valuation Approaches			
Stabilised Year (Forecast Year 5)		7.75%	NZ\$6,200,000
10 Yr DCF	IRR	9.75%	NZ\$6,200,000
	Terminal Yield	8.25%	
Market Value Adopt			NZ\$6,200,000

Our adopted value indicates the following parameters:

Adopted Value Analysis			
Initial Yield			5.39%
Stabilised Year (Forecast Year 5)			7.71%
Value per Room (NZ\$)			NZ\$121,569
10 Yr DCF	IRR		9.77%
	Terminal Yield		8.25%

The above valuation is plus GST (if any).

9.5 ADDITIONAL REQUIREMENTS

Previous Sale:	According to public records, there is no recorded sale of the subject property within the last 3 years.
Contract of Sale:	None of which we are aware.
Reasonable Selling Period:	Circa 3-6 months assuming a typical marketing campaign.
Anticipated buyer demand/liquidity:	Moderate.
Likely purchaser profile:	High net worth investors, private investors.

10 DISCLAIMERS

Valuation Subject To Change

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 movement or factors specific to the particular property). For the avoidance of doubt, this may include global financial crises or force majeure events. We do not accept liability for losses arising from such subsequent changes in value. Furthermore, values vary from time to time in response to changing market circumstances. The valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. Therefore, it should be reviewed periodically.

Extent of Investigations

We are not engaged to carry out all possible investigations in relation to the property. Where in our report we identify certain limitations to our investigations, this is to enable the Reliant Party to instruct further investigations where considered appropriate or where we recommend as necessary prior to Reliance. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.

Information Supplied By Others

This document contains information which is derived from other sources. Where this information is provided by experts and experienced professionals, we have relied upon the expertise of such experts and by necessity we have relied upon the information provided being accurate, whether prepared specifically for valuation purposes or not. Unless otherwise specifically instructed, we have not independently verified that information, nor adopted it as our own. Notwithstanding the above, we have reviewed the provided information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice undertaking a similar valuation/consultancy service. The Reliant Parties acknowledge that the valuer is not a specialist in the areas from which the expert information is derived and accepts the risk that if any of the information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.

Disclosure

CBRE must be advised in the event that the Reliant Party becomes aware of any changes relating to the information and advice provided by the Instructing/Reliant Party during the Reliance Period. This includes, without limitation, any changes to information and advice provided in relation to encumbrances, registered/unregistered interests, title, and land area/dimensions. In any such event, this valuation must not be relied upon without consulting CBRE first to reassess any effect on the valuation.

Future Matters

To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to CBRE at the date of this document. CBRE does not warrant that such statements are accurate or correct.

Taxation & GST

Our valuation is expressed exclusive of GST. We are not tax experts and have not been provided with tax or legal advice. The Reliant Party must make its own enquiries if they consider that GST applies.

Site Survey

We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property, and the Reliant Parties should confirm this status by obtaining a current survey report and/or advice from a registered surveyor.

Property Titles

We have assumed that there are no further easements, unregistered interests or encumbrances not disclosed by this brief title search which may affect market value. However, in the event that a future title search is undertaken which reveals additional easements or encumbrances, CBRE should be consulted to reassess any effect on the value stated herein.

Environmental Conditions

Unless otherwise stated, we have assumed that the site is free of elevated levels of contaminants or subsoil asbestos that would prevent the continuation of the current use of the

property. Note our visual inspection is an inconclusive indicator of the actual site condition. We make no representation as to the actual environmental status of the subject property. If any formal testing is undertaken to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon without first consulting CBRE to reassess any effect on the valuation.

Flooding Caution

The quality, completeness and accuracy of flood mapping varies widely between localities and Councils. We have not verified, and make no representation as to the appropriateness, accuracy, reliability or currency of the flood mapping reviewed. The Reliant Party may wish to confirm the flood mapping information by obtaining an expert hydrologist's report. If further flooding data is obtained, we reserve the right to review and if necessary amend the valuation.

Asbestos/ Hazardous Materials

Unless otherwise noted, we have assumed that the improvements are free of asbestos and hazardous materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the subject property. If any testing is undertaken and the presence of any asbestos/hazardous materials on site is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess the valuation.

Planning Information

We assume information provided by the relevant responsible authority is current and accurate. We do not commission formal investigations to verify information provided to us. In the event that a Land Information Memorandum (LIM) report is obtained and the information therein is later found to be materially different to the town planning information detailed within the valuation, we reserve the right to amend the valuation.

Inclusions & Exclusions

Our valuation includes those items that form (or will form) part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting, etc., that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed (by the occupant/operator) or are used in connection with the enterprise carried on within the property.

Side Agreements

In the event that the Reliant Party becomes aware of any side agreements, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.

Floor Areas

Unless stated otherwise in the valuation, we have assumed that the floor areas have been calculated in accordance with the Property Council of New Zealand (PINZ PCNZ) Guide to Measurement of Rentable Areas or as specifically instructed by the party who we have agreed to provide this valuation. We recommend that the person or entity relying upon this report should obtain a survey to determine whether the areas provided differ from PINZ PCNZ guidelines. In the event that the survey reveals a variance in areas, then the relevant person or entity should not rely upon the valuation and should provide all relevant survey details to CBRE for consideration and possible review of the valuation.

Condition & Repair

We are not building/structural experts and are therefore unable to certify the structural soundness of the improvements. Unless otherwise stated, we have not sighted a qualified engineer's structure survey of the improvements, or its plant and equipment. Any Reliant Parties would need to make their own enquiries in this regard. Unless otherwise stated, we have not sighted a structural report on the property, nor have we inspected unexposed or inaccessible portion of the premises. We therefore cannot comment on the structural integrity, defect, rot or infestation of the improvements nor can we comment on any knowledge of the use in construction of material such as asbestos or other materials considered hazardous.

Currency

All dollars are NZ\$.

LIM & PIM

Unless otherwise stated, we have not obtained Land Information Memoranda (LIM) or Project Information Memoranda (PIM) from the Territorial Authority.

**Lease
Covenant
Strength**

We do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market’s perception of them. Any comments on covenant strength should therefore be read in this context. We assume that tenants are capable of meeting their financial obligations and there are no undisclosed rental arrears or breaches of covenant.

Site Conditions

We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of property which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems (unless stated otherwise).

**Not a
Structural
Survey**

We state that this is a valuation report, and not a Structural Survey.

**Director’s
Clause**

Under required circumstances, this report may have been co-signed by a Director of CBRE. In accordance with our internal Quality Assurance procedures, the co-signing Director certifies that he has discussed the valuation methodology and calculations with the prime signatory, however the opinion of value expressed herein has been arrived at by the prime signatory alone. The co-signing Director may or may not have inspected the subject property.

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- Introduction
- Land
- Improvements
- Occupancy
- New Zealand Tourism Market
- Waikato Hotel Market Overview
- Financial Trading
- Investment Market
- Valuation
- Disclaimers
- Appendices

11 APPENDICES

TITLE DOCUMENTATION

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Introduction

Land

Improvements

Occupancy

New Zealand
Tourism Market

Waikato Hotel
Market Overview

Financial Trading

Investment Market

Valuation

Disclaimers

Appendices



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy**




R. W. Muir
Registrar-General
of Land

Identifier 767681
Land Registration District South Auckland
Date Issued 10 March 2017

Prior References
SA61D/822

Estate Fee Simple
Area 946 square metres more or less
Legal Description Lot 1 Deposited Plan 506602

Registered Owners
Ambassador Motel No. 1 Limited Partnership

Interests

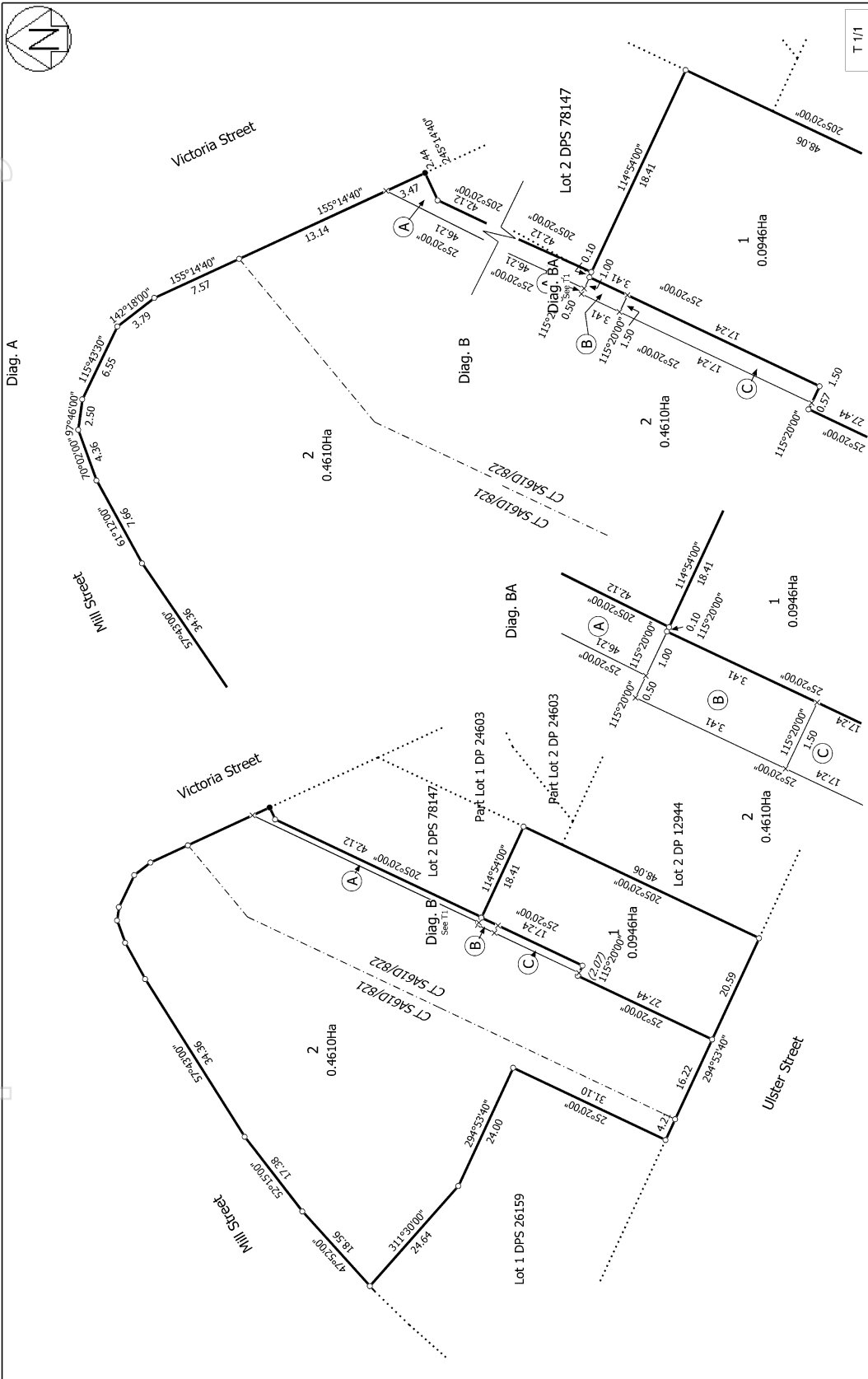
10004588.2 Mortgage to ANZ Bank New Zealand Limited - 20.4.2015 at 9:25 am

10004588.3 Mortgage to SVS Veterinary Supplies Limited - 20.4.2015 at 9:25 am

Appurtenant hereto is a right to drain water, building maintenance and pedestrian access created by Easement Instrument 10733556.1 - 23.3.2017 at 12:10 pm

The easements created by Easement Instrument 10733556.1 are subject to Section 243 (a) Resource Management Act 1991

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<p>Land District: South Auckland</p> <p>Digitally Generated Plan</p> <p>Generated on: 22/03/2017 11:58am Page 3 of 3</p>	<p>Lots 1 and 2 being subdivision of Lots 3 and 4 DP 14674, Lot 1 DPS 78147 and Lot 2 DPS 26159</p>	<p>Title Plan DP 506602</p> <p>Surveyor: Troy Dion Radovanich</p> <p>Firm: Red Surveying Limited</p> <p>Deposited on: 10/03/2017</p>
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**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy**




R. W. Muir
Registrar-General
of Land

Identifier 767682
Land Registration District South Auckland
Date Issued 10 March 2017

Prior References
SA61D/821 SA61D/822

Estate Fee Simple
Area 4610 square metres more or less
Legal Description Lot 2 Deposited Plan 506602

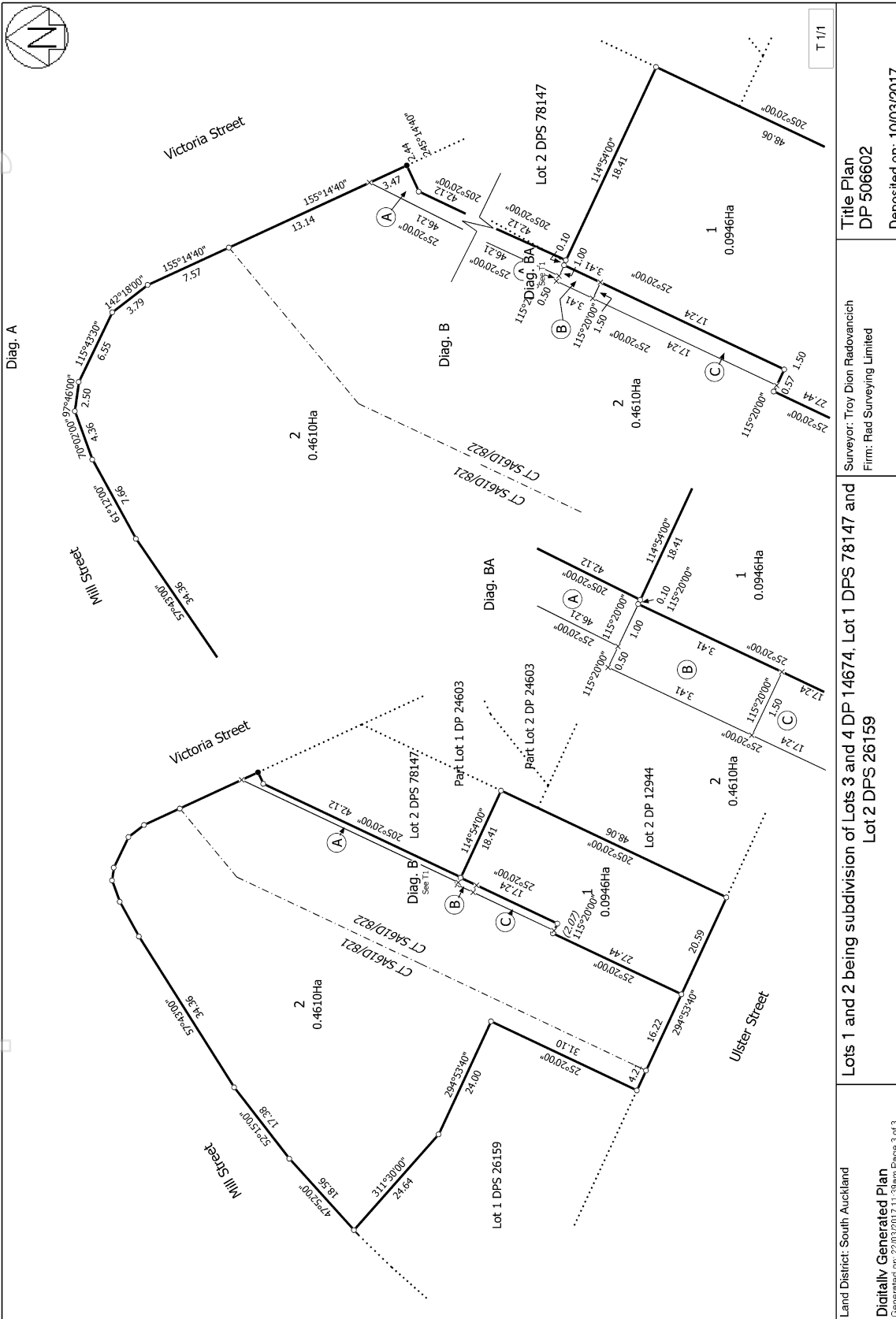
Registered Owners
Ixora Investments Limited

Interests

Subject to a right to drain water over part marked A on DP 506602 , right to drain water , building maintenance and pedestrian access over part marked B on DP 506602 and building maintenance and pedestrian access over part marked C on DP 506602 created by Easement Instrument 10733556.1 - 23.3.2017 at 12:10 pm

The easements created by Easement Instrument 10733556.1 are subject to Section 243 (a) Resource Management Act 1991 10761457.4 Mortgage to Bank of New Zealand - 3.5.2017 at 2:19 pm

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Land District: South Auckland
 Digitally Generated Plan
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Lots 1 and 2 being subdivision of Lots 3 and 4 DP 14674, Lot 1 DPS 78147 and Lot 2 DPS 26159

Surveyor: Troy Dion Radovanich
 Firm: Red Surveying Limited

Title Plan
 DP 506602

Deposited on: 10/03/2017

VALUATION DEFINITIONS AND TERMINOLOGY

Uniform System of Accounts	The Uniform System Of Accounts for the Lodging Industry establishes standardised formats and account classifications to guide individuals in the preparation and presentation of financial statements. It is the internationally accepted format for the lodging industry.
Room Nights Available (RNA)	This is the total number of guestrooms (keys) in a property which are available for rent multiplied by the number of nights in a period.
Room Nights Occupied (RNO)	Room Nights Occupied excluding complimentary guests in a period. Total Rooms Occupied includes Complimentary Guests and is more generally used.
Average Daily Rate (ADR)	The average charge paid by hotel guests on a per room per night basis. It is expressed net of GST and other direct taxes and is calculated by dividing the total rooms revenue by the rooms occupied over a given period.
Occupancy Percentage	This is the ratio of rooms occupied (excluding complimentary guests) to rooms available over a given period. The total occupancy percentage includes complimentary guests.
Rooms Revenue Per Available Room (RevPAR)	This measures the rooms revenue yield a property receives relative to the rooms available and is calculated by dividing the total rooms revenue by the rooms available for a given period.
Total Revenue	The total revenue for the hotel expressed net of GST and other direct taxes. This is usually separated into revenue from rooms, food and beverage, other operated departments and rents and other income.
Departmental Expenses	These are expenses which relate to the operated departmental revenue categories such as rooms and food and beverage. They comprise cost of sales, cost of other revenue, payroll and related expenses, and other expenses.
Departmental Income	This is calculated by deducting Total Departmental Expenses from Total Revenue.
Undistributed Operating Expenses	These are expenses that are applicable to the entire property where it is not considered appropriate to allocate these to specific departments.
Gross Operating Profit (GOP)	The income generated from the hotel business operation before deduction of fixed charges. It is therefore the earnings before interest, depreciation, tax, building insurance, statutory property ownership charges, land rent (if applicable) and the FF&E Reserve. It is calculated by subtracting Total Undistributed Operating Expenses from Total Departmental Income.
Management Fees	This represents the cost of management services performed by a management company to operate the property as a whole. It does not include those specific departmental services which are charged to that department. It usually comprises base and incentive elements.
Base Management Fee	A fee payable to the manager in excess of the actual cost of management for services provided. Either set as a fixed amount or as a % of total hotel revenue.
Incentive Management Fee	A fee payable to the manager based on the profit performance of business. Set as a % of the GOP Base Fee.
Stand Aside	Term used to express the situation where a hotel manager forgoes incentive fees due to under-performance to set GOP benchmarks. Most commonly accompanied by a Claw Back.

Claw Back	Term used to express the right of the manager to receive reimbursement of any fee they may have foregone (Stood Aside) in some earlier period. Usually only payable when performance (GOP) is above budget thresholds.
Fixed Charges	These include rent, property and other taxes, and insurance.
Net Operating Income (NOI)	This is determined by deducting Fixed Charges from the Income before Fixed Charges. It is calculated before the deduction of the FF&E Reserve.
Furniture Fittings & Equipment Reserve (FF&E Reserve)	An account held in the name of the owner into which the manager places funds before distribution to the owner on a monthly basis for the replacement of specific items used in the operation of the business. It is usually calculated as a % of the revenue generated. The manager budgets for its expenditure on an annual basis with the approval of the owner.
Adjusted Net Operating Income	This is calculated by deducting the FF&E Reserve from the NOI. This is the net income from the hotel on an EBITDA basis. Income from non hotel sources may be added to this to calculate the Total Net Income which is used to calculate the value of the property.
Initial Yield	The projected Total Net Income (as defined above) as a percentage of the assessed value before any capital allowances such as the value of any excess land and the required capital expenditure to achieve the assessed income .
Value Per Room	The adopted value (excluding the value of any balance land) divided by the number of rooms.
Terminal Yield	The capitalisation rate applied within our valuation to the Total Net Income forecast during the year after the end of our Discounted Cash Flow (DCF) analysis. From this capitalised amount capital adjustments are made to arrive at a selling price for the property at the end of the adopted investment period of the DCF.
Target Internal Rate Of Return (IRR)	The discount rate applied to the annual net cash flows of the property and the hypothetical sale of the property at the end of the cashflow to arrive at the adopted value (excluding any balance land) using the Discounted Cash Flow approach.
IRR (Indicated)	The Internal Rate of Return which the property would achieve over a period given the forecast net cash flow and assessed value. This analysis excludes the value of any balance land.
EBITDA	Earnings before interest, taxes, depreciation and amortization (EBITDA) is calculated by deducting Operating Expenses and Other Revenue from the Operating Revenue. Operating Expenses do not include interest, taxes, or amortization. In hotels this is usually after the deduction of the FF&E Reserve.

FINANCIAL TRADING DETAILS

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Introduction

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Occupancy

New Zealand
Tourism Market

Waikato Hotel
Market Overview

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Valuation

Disclaimers

Appendices

HEARTLAND AMBASSADOR HOTEL HAMILTON
 INCOME STATEMENT
 FOR THE 12 MONTHS ENDED 30 JUNE 2020

	ACTUAL		BUDGET		LAST YEAR		Actual to Budget Variance		Actual to Last Year Variance	
STATISTICS										
Rooms Available	17,984		18,666		17,900		(682)		84	
Rooms Occupied	9,033		13,450		13,112		(4,417)		(4,079)	
Occupancy %	50.2%		72.1%		73.3%		-21.8%		-23.0%	
A.R.R	\$ 133.83		\$ 118.00		\$ 118.38		\$ 15.82		\$ 15.45	
RevPAR	\$ 67.22		\$ 85.03		\$ 86.72		-\$ 17.81		-\$ 19.50	
Guests	16,821		24,210		9,450		(7,389)		7,371	
Double Occupancy	1,86		1,27		0,72		0,59		1,14	
	\$	%	\$	%	\$	%	\$	%	\$	%
REVENUE										
Rooms	1,208,860	88.3%	1,587,150	85.8%	1,552,201	85.8%	(378,290)	-23.8%	(343,341)	-22.1%
Food	113,141	8.3%	220,000	11.9%	211,181	11.7%	(106,859)	-48.6%	(98,040)	-46.4%
Beverage	-	0.0%	-	0.0%	119	0.0%	-	#DIV/0!	(119)	-100.0%
Sundry	46,427	3.4%	42,811	2.3%	44,964	2.5%	3,616	8.4%	1,463	3.3%
TOTAL REVENUE	1,368,428	100.0%	1,849,961	100.0%	1,808,464	100.0%	(481,533)	-26.0%	(440,036)	-24.3%
PAYROLL										
Rooms	396,859	32.8%	502,313	31.6%	427,756	27.6%	105,454	21.0%	(30,897)	-7.2%
Food	62,933	55.6%	89,459	40.7%	77,187	36.6%	26,527	29.7%	(14,254)	-18.5%
TOTAL PAYROLL	459,792	33.6%	591,772	32.0%	504,943	27.9%	131,980	22.3%	(45,151)	-8.9%
COST OF SALES										
Food	30,215	26.7%	50,600	23.0%	48,866	23.1%	20,385	40.3%	(18,651)	-38.2%
Beverage	67	#DIV/0!	-	#DIV/0!	612	515.7%	(67)	#DIV/0!	(545)	-89.0%
Sundry	157	0.3%	-	0.0%	78	0.2%	(157)	#DIV/0!	79	101.4%
TOTAL COST OF SALES	30,441	2.2%	50,600	2.7%	49,556	2.7%	20,161	39.8%	(19,117)	-38.6%
OTHER EXPENSES										
Rooms	276,181	22.8%	287,226	18.1%	289,053	18.6%	11,045	3.8%	(12,872)	-4.5%
Food	8,756	7.7%	3,316	1.5%	7,351	3.5%	(5,440)	-164.1%	1,405	19.1%
Beverage	-	#DIV/0!	-	#DIV/0!	-	0.0%	-	#DIV/0!	-	#DIV/0!
TOTAL OTHER EXPENSES	284,937	20.8%	290,542	15.7%	296,405	16.4%	5,605	1.9%	(11,467)	-3.9%
DEPARTMENT PROFIT										
Rooms	535,817	44.3%	797,611	50.3%	835,391	53.8%	(261,794)	-32.8%	(299,574)	-35.9%
Food	11,238	9.9%	76,625	34.8%	77,777	36.8%	(65,387)	-85.3%	(66,539)	-85.6%
Sundry	46,057	99.2%	42,811	100.0%	44,886	99.8%	3,247	7.6%	1,171	2.6%
TOTAL DEPARTMENT PROFIT	593,045	43.3%	917,046	49.6%	957,561	52.9%	(324,001)	-35.3%	(384,515)	-38.1%
UNDISTRIBUTED DEPARTMENTS										
Payroll										
Administration	73,127	5.3%	77,231	4.2%	72,443	4.0%	4,104	5.3%	684	0.9%
Repairs & Maintenance	33,451	2.4%	47,281	2.6%	49,872	2.8%	13,830	29.3%	(16,421)	-32.9%
Total Undistributed Payroll	108,934	8.0%	124,512	6.7%	122,315	6.8%	15,577	12.5%	(13,381)	-10.9%
Expenses										
Administration Expenses	152,583	11.2%	147,651	8.0%	151,440	8.4%	(4,933)	-3.3%	1,143	0.8%
Marketing	16,273	1.2%	15,460	0.8%	23,087	1.3%	(813)	-5.3%	(6,814)	-29.5%
Repairs & Maintenance	63,090	4.6%	62,179	3.4%	61,749	3.4%	(910)	-1.5%	1,340	2.2%
Utilities	55,401	4.0%	60,070	3.2%	64,366	3.6%	4,669	7.8%	(8,966)	-13.9%
Total Undistributed Expenses	287,346	21.0%	285,360	15.4%	300,643	16.6%	(1,987)	-0.7%	(13,296)	-4.4%
GROSS OPERATING PROFIT										
	196,764	14.4%	507,175	27.4%	534,603	29.6%	(310,410)	-61.2%	(337,839)	-63.2%
Management Fee	61,531	4.5%	83,248	4.5%	95,304	5.3%	21,718	26.1%	(33,773)	-35.4%
Gross Operating Fee	6,151	3.1%	15,215	3.0%	5,767	1.1%	9,065	59.6%	383	6.6%
EBITDA										
	129,083	9.4%	408,711	22.1%	433,532	24.0%	(279,628)	-68.4%	(304,449)	-70.2%
Depreciation	58,769	4.3%	55,663	3.0%	67,747	3.7%	(3,107)	-5.6%	(8,977)	-13.3%
Capital Gain/Loss	-	0.0%	-	0.0%	4,499	0.2%	-	0.0%	(4,499)	-100.0%
Interest	38,911	2.8%	35,624	1.9%	57,719	3.2%	(3,287)	0.0%	(18,809)	-32.6%
Extraordinary R&M	32,949	2.4%	-	0.0%	83,660	4.6%	(32,949)	0.0%	(50,712)	-60.6%
Other	43,086	21.9%	10,400	2.1%	60,814	11.4%	(32,686)	-314.3%	(17,728)	-29.2%
TOTAL OTHER EXPENSES	173,715	12.7%	101,686	5.5%	274,440	15.2%	(72,029)	-70.8%	(100,725)	-36.7%
NET PROFIT										
	(44,632)	-3.3%	307,025	16.6%	159,092	8.8%	(351,657)	-114.5%	(203,724)	-128.1%

Disclaimer:

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**HEARTLAND AMBASSADOR HOTEL HAMILTON
BUDGET
FOR THE 12 MONTH PERIOD ENDED 30 JUNE 2021**

	Budget 2020-21	
STATISTICS		
Rooms Available	18,666	
Rooms Occupied	9,900	
Occupancy %	53.0%	
A.R.R	\$ 130.44	
RevPAR	\$ 69.18	
	\$	%
REVENUE		
Rooms	1,291,371	89.0%
Food	117,612	8.1%
Sundry	41,291	2.8%
TOTAL REVENUE	1,450,274	100.0%
PAYROLL		
Rooms	209,314	16.2%
Food	51,436	43.7%
TOTAL PAYROLL	260,750	18.0%
COST OF SALES		
Food	27,051	23.0%
TOTAL COST OF SALES	27,051	1.9%
OTHER EXPENSES		
Rooms	280,418	21.7%
Food	5,346	4.5%
TOTAL OTHER EXPENSES	285,764	19.7%
DEPARTMENT PROFIT		
Rooms	801,640	62.1%
Food	33,779	28.7%
Sundry	41,291	100.0%
TOTAL DEPARTMENT PROFIT	876,710	60.5%
UNDISTRIBUTED DEPARTMENTS		
Payroll		
Administration	89,918	6.2%
Repairs & Maintenance	21,505	1.5%
Total Undistributed Payroll	111,423	7.7%
Expenses		
Administration	144,763	10.0%
Marketing	14,864	1.0%
Repairs & Maintenance	52,576	3.6%
Utilities	53,381	3.7%
Total Undistributed Expenses	265,584	18.3%
GROSS OPERATING PROFIT	499,703	34.5%
Management Fees	80,253	5.5%
EBITDA	419,449	28.9%
Depreciation	55,663	3.8%
Interest	45,000	3.1%
TOTAL OTHER EXPENSES	100,663	6.9%
NET PROFIT	318,787	22.0%

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