Notice of Meetings of Securityholders

and Explanatory Statement

Elanor

Notice of Meetings of Securityholders

Notice is hereby given that meetings of shareholders of Elanor Investors Limited ("**EIL**" or "**the Company**") and unitholders of Elanor Investment Fund ("**EIF**"), (together "**Elanor**" or "**the Group**") (**Securityholders**) will be held:

on **29 September 2021**

at **10:00am Sydney time**

Due to the continually uncertain and evolving circumstances involving COVID-19 pandemic and associated health and safety concerns, the Meetings will be held as virtual meetings.

for the purpose of transacting the items of business set out in this Notice, being the approval of the disposal of a portion of Elanor's interests in Elanor Luxury Hotel Fund ("**ELHF**") and all of its interests in the Albany Hotel Syndicate (**AHS**).

(collectively **Meetings**).

Securityholders will be unable to attend the Meetings in person but can participate in the Meetings from their computer or from their mobile device by using this following URL:

https://web.lumiagm.com/322385716; or
https://web.lumiagm.com and Meeting ID: 322-385-716

Securityholders will need the following information to participate in the Meetings in real time:

1. The meeting ID for the Elanor EGM, which is 322-385-716
2. Username, which is the Securityholder's SRN/HIN; and
3. Password, which is the postcode registered to the holding for an Australian Securityholder.

Overseas Securityholders should refer to the Online Meeting Guide (link below) for their password details. Further information regarding online attendance at the meeting (including how to vote and ask questions virtually during the meeting) is set out in the Online Meeting Guide available at: http://www.computershare.com.au/virtualmeetingguide.

The Meetings will be conducted using the Lumi online platform which enables Securityholders to:

- see the Meeting presentation materials and listen to the Meetings live;
- vote online during the Meetings; and
- ask questions online during the Meetings.

Voting on the resolution will be conducted by a poll.

Securityholders may also cast their votes at the Meetings by appointing a proxy (preferably the Chair of the Meeting) online at www.investorvote.com.au by 10 am (AEST) on 27 September 2021.

In the event of a technological failure that prevents Securityholders from having a reasonable opportunity to participate in the Meetings, Elanor will provide an update via email addresses recorded with the Company and by ASX announcement to communicate the details of the postponed or adjourned Meetings to Securityholders.

Securityholders are strongly encouraged to lodge a directed proxy form prior to the Meetings in accordance with the instructions in this Notice.

This Notice is issued jointly by Elanor Investors Limited (ACN 169 308 187) and Elanor Funds Management Limited (ACN 125 903 031) (**EFML**) in its capacity as responsible entity for Elanor Investment Fund (ARSN 169 450 926).

The attached Explanatory Statement is provided to supply Securityholders with information to enable Securityholders to make an informed decision regarding the Resolution set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

Terms and abbreviations are defined in the Glossary at the end of this Notice and Explanatory Statement.

The Directors have concluded that the disposals of a portion of Elanor's interests in ELHF and all of its interests in the AHS is in the best interests of Securityholders and unanimously recommend that you vote in favour of the Resolution for the reasons outlined in the Explanatory Statement.

The Independent Expert has concluded in the Independent Expert's Report that the disposals of a portion of Elanor's interests in ELHF and all of its interests in the AHS are fair and reasonable to the Securityholders whose votes are not to be disregarded for the purposes of ASX Listing Rule 14.11, and that the disposals are on arm's length terms.

The Directors recommend that Securityholders vote IN FAVOUR of the Resolution

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Letter from the Chairman

23 August 2021

Dear Securityholder,

Elanor Investors Group (**Elanor**) is proposing to participate in a new funds management initiative by Elanor Funds Management Limited as trustee for the Elanor Metro and Prime Regional Hotel Fund (**EMPR**), being the acquisition by EMPR of part of the Elanor Luxury Hotel Fund (**ELHF**) and all of the Albany Hotel Syndicate (**AHS**), to establish a single accommodation hotel investment vehicle, the $346 million Elanor Hotel Accommodation Fund (**EHAF**).

This significant funds management initiative will be completed through:

- combining the unlisted ELHF with EMPR;
- transferring Elanor's interest in the AHS to EMPR; and
- reorganising these entities into a new stapled fund structure, to be called the EHAF,

(collectively the **EHAF Reorganisation)**.

To complete the EHAF Reorganisation, EMPR is undertaking a pro-rata entitlement offer to existing EMPR fund investors and a capital raising from new wholesale and sophisticated investors to the extent of any shortfall in the entitlement offer.

ELHF and AHS are currently 100% owned by Elanor. The effect of the EHAF Reorganisation is the partial sell down of ELHF and the sale of all of the AHS from Elanor's balance sheet investment portfolio to EHAF. This has been a stated strategy of Elanor since establishment of ELHF in November 2019.

Elanor Securityholders are being asked to consider and vote on a resolution to approve the EHAF Reorganisation (**Resolution**) and thereby facilitate the sell-down of Elanor's investment in these funds. This transaction is a further step in the execution of Elanor's stated capital lite strategy and will provide capital growth for Elanor, and the opportunity to undertake capital management initiatives.

Background

Elanor currently owns 42.9% of the equity interests in EMPR which owns and operates 10 metropolitan and regional hotels across Australia. The independent valuation of the hotel assets of EMPR is $170.9 million as at 30 June 2021.

Elanor originated and currently owns 100% of the interests in ELHF, which owns and operates 3 luxury hotels in Australia. ELHF is a stapled security comprising a head trust and a holding company. The independent valuation of the hotel assets of ELHF as at 30 June 2021 is $172.0 million.

Elanor currently owns 100% of the interests in AHS which owns the Albany Hotel in Western Australia. The independent valuation of the hotel asset of the Albany Syndicate as at 30 June 2021 is $3.2 million.

Elanor announced the establishment of ELHF in mid-2019 and determined to initially hold 100% of the equity in ELHF with a view to commencing a capital raising to wholesale and sophisticated investors in early 2020. The onset of the COVID-19 pandemic in early 2020 prevented the planned capital raising for ELHF with the result that Elanor determined to hold the asset on Elanor's balance sheet for the medium term and until such time as the capital raising to investors could be completed.

The Elanor Hotel Accommodation Fund

The EHAF Reorganisation contemplates the establishment of the Elanor Hotel Accommodation Fund (EHAF) through:

(a) a capital raising of between $68.6 million to $92.7 million via a pro-rata entitlement offer to current EMPR investors to participate in the transaction and also through an offer to new wholesale and sophisticated investors;

(b) restructuring elements of the current EMPR and ELHF debt facilities;

(c) a reorganisation of the ownership interests of EMPR, ELHF and AHS, such that:

  (i) EMPR acquires 100% of AHS from Elanor;

  (ii) EMPR investors acquire part of the interests in ELHF from Elanor;

  (iii) EMPR and ELHF are merged by way of a stapling of the securities of EMPR and ELHF (including those held by Elanor in each entity); and

(d) amending the key documents of each of the entities within EHAF to reflect the new name of the stapled group to the Elanor Hotel Accommodation Fund and align the key documents with the EHAF Information Memorandum.

At the conclusion of the EHAF Reorganisation, Elanor will hold an interest in EHAF of between 49.0% (assuming a capital raising of $68.6 million) and 36.4% (assuming a capital raising of $92.7 million).

Rationale for EHAF Reorganisation

The EHAF Reorganisation will facilitate the syndication of the ELHF assets as originally planned. This is consistent with Elanor's stated strategy of being a 'capital lite' real estate funds management business (as detailed in Elanor's recent Annual

Reports) and is consistent with recent market announcements, including Elanor's 1HFY21 Results Presentation which discusses the 'sell-down' of Elanor's hotel co-investments.

Reasons to vote in favour of the EHAF Reorganisation

The Directors are of the view that the advantages of the EHAF Reorganisation, and other matters which may be relevant to a Securityholder's decision to vote in favour of the Resolution, include that:

- the EHAF Reorganisation enables:
  - Elanor to execute on its stated strategy of syndicating ELHF, post the COVID-19 pandemic, and thereby release capital for growth and capital management initiatives;
  - unlocking the value in the EHAF assets by combining them into a single hotel accommodation investment within a well understood real estate investment structure; and
  - establishment of the optimal investment vehicle to facilitate future acquisitions;
- the EHAF Reorganisation establishes a single hotel accommodation investment vehicle with Elanor as fund manager and hotel operator, that has greater scale and diversity than its predecessor funds (EMPR, ELHF and AHS), which will:
  - benefit from economies of scale and reduced concentration risk;
  - improve access to capital (both debt and equity) for future growth by acquisition; and
  - provide a pathway to a potential ASX listing, or alternatively, achieve a portfolio premium on a future trade sale.
- the Independent Expert has concluded that the disposals of part of Elanor's interest in ELHF and all of its interest in the AHS to investors in EMPR are fair and reasonable to Securityholders whose votes are not to be disregarded for the purposes of ASX Listing Rule 14.11, and that the disposals are on arm's length terms.

Further details in relation to the advantages of the EHAF Reorganisation can be found in Section 2.3 of the explanatory statement (**Explanatory Statement**) accompanying the Notice of Meetings (**Notice**).

Reasons to vote against the EHAF Reorganisation

The Directors are of the view that the potential disadvantages of the EHAF Reorganisation and other matters which may be relevant to a Securityholder's decision to vote against the Resolution include whether you disagree with the conclusions of the Directors, the Independent Expert and the Valuers and/or whether you believe the EHAF Reorganisation changes the risk profile of Elanor. Further details in relation to the disadvantages of the EHAF Reorganisation can be found in Section 2.4 of the Explanatory Statement.

Unanimous support of all Directors

After careful consideration (including evaluation of the various advantages of the EHAF Reorganisation and its disadvantages and risk factors), the Directors have all concluded that the EHAF Reorganisation is in the best interests of Securityholders and unanimously recommend that you vote in favour of the Resolution for the reasons outlined above.

Support of major Securityholders

Furthermore, we have been advised by

- Securityholders who hold 55.8% of the Securities on issue for which the Securityholder is eligible to vote on the Resolution; and
- advisers to Securityholders who hold 8.3% of the Securities on issue for which the Securityholder is eligible to vote on the Resolution,

and in each case, whose votes are not to be disregarded under ASX Listing Rule 14.11, that as at the date of this Explanatory Statement they intend to support the approval of the Resolution.

Resolution

There is a single ordinary resolution that must be passed by Securityholders to approve the EHAF Reorganisation. The Resolution is set out in the Notice and described in further detail in the Explanatory Statement.

How to Vote

Due to the continually uncertain and evolving circumstances involving COVID-19 pandemic and associated health and safety concerns, the Meetings will be held as virtual meetings on 29 September 2021 at 10.00am Sydney time. Securityholders will be unable to attend the Meetings in person but can participate in the Meetings from their computer or from their mobile device by using the URL https://web.lumiagm.com/322385716. The Meetings will be conducted so that Securityholders are able to vote online during the Meetings.

Securityholders are, however, strongly encouraged to lodge a directed proxy form prior to the Meetings in accordance with the instructions in the Notice.

Your vote is important

Full details of the EHAF Reorganisation, including matters which you should consider, are included in the Notice and Explanatory Statement and I ask you to read these carefully (including the report from the Independent Expert attached as Schedule 1 to the Explanatory Statement). If you have any questions, please contact the toll-free Information Line on 1300 855 080 (within Australia) and +61 3 9415 4000 (outside Australia) between 8:30 am and 5:00 pm AEST Monday to Friday.

Your Directors would like to take this opportunity to thank you for your support and unanimously recommend that you vote in favour of the Resolution. The various ways you can cast your vote are set out in the Notice and accompanying Explanatory Statement.

Yours sincerely,

Paul Bedbrook
Chairman

Item of Business

1. Approval of disposals of interests in the Elanor Luxury Hotel Fund and the Albany Hotel Syndicate

Resolution

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution of Elanor:

"That for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval is given for Elanor to dispose of up to 63% of its interests in ELHF to the Securityholders of EMPR and 100% of its interests in the Albany Syndicate to EMPR, in each case as described in the Explanatory Statement."

Short Explanation: Elanor is proposing to dispose of a part of its holding in ELHF to the security holders of EMPR and all of its holding in the AHS to EMPR. EFML is the Trustee and manager of EMPR and is a subsidiary and associate of Elanor. Accordingly, the disposals of interests in ELHF and the AHS are technically disposals to related parties under ASX Listing Rule 10.1 which require approval from Securityholders.

Independent Expert's Report

Securityholders should carefully consider the report prepared by the Independent Expert for the purposes of Securityholder approval under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the disposals the subject of this Resolution from the viewpoint of the Securityholders whose votes are not to be disregarded for the purposes of ASX Listing Rule 14.11. The Independent Expert's Report also opines on whether those disposals are on arm's length terms.

The Independent Expert has concluded in the Independent Expert's Report that the disposals by Elanor of part of its interests in ELHF and all of the AHS are fair and reasonable to the Securityholders whose votes are not to be disregarded for the purposes of ASX Listing Rule 14.11, and that the disposals are on arm's length terms.

Voting exclusion: A voting exclusion applies to this Resolution – details are set out in the Explanatory Statement.

How to Vote

These Voting Notes should be read together with, and form part of, the Notice.

Securityholders eligible to vote

In accordance with sections 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, Elanor has determined that for the purposes of the Meetings, all Securities will be taken to be held by the registered holders at 7:00pm Sydney time on 27 September 2021.

Accordingly, Security transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meetings.

Admission to Meetings

Securityholders will be unable to attend the Meetings in person but can participate in the Meetings from their computer or from their mobile device at https://web.lumiagm.com/322385716 or https://web.lumiagm.com using meeting ID: 322-385-716.

Securityholders will need the following information to participate in the Meetings in real time:

(a) The meeting ID for the Elanor EGM, which is 322-385-716

(b) Username, which is the Securityholder's SRN/HIN; and

(c) Password, which is the postcode registered to the holding for an Australian Securityholder.

Overseas Securityholders should refer to the Online Meeting Guide (link below) for their password details. Further information regarding online attendance at the meeting (including how to vote and ask questions virtually during the meeting) is set out in the Online Meeting Guide available at: http://www.computershare.com.au/virtualmeetingguide.

The Meetings will be conducted using the Lumi online platform which enables Securityholders to:

- see the Meeting presentation materials and listen to the Meetings live;
- vote online during the Meetings; and
- ask questions online during the Meetings.

Securityholders can submit a question or comment prior to the Meetings at www.investorvote.com.au. Written questions should be submitted no later than five business days before the Meetings. This means that you must submit your questions before 10.00 am (Sydney time) on 22 September 2021. You may also submit questions and comments online. The Chair of the Meeting will endeavour to address as many frequently asked relevant questions and comments as possible during the Meeting. However, there may not be sufficient time available at the Meetings to address all questions and comments raised.

Voting on the resolution will be conducted by a poll.

Proxies

If you are eligible to vote but do not plan to participate in the Meetings, you are encouraged to complete and return a proxy form. You are entitled to appoint one or two proxies. Where two proxies are appointed, you may specify the number or proportion of votes that each may exercise, failing which each may exercise half of the votes.

A proxy need not be a Securityholder. If you want to appoint one proxy, you can use the form provided. If you want to appoint two proxies, please follow the instructions on the proxy form. If you sign and return a proxy form and do not nominate a person to act as your proxy, the Chair will be appointed as your proxy by default.

Securityholders are strongly encouraged to lodge a proxy form prior to the Meetings in accordance with the instructions in this Notice.

Where to Lodge Your Proxy

You may lodge a proxy by following the instructions set out on the proxy form accompanying this Notice. To be effective the proxy must be received by Computershare in accordance with the instructions on the proxy form at the postal address, fax number or website below, not later than 10:00am Sydney time on 27 September 2021:

Post to:	Computershare Investor Services Pty Limited GPO Box 242, Melbourne VIC 3000 Australia
Fax to:	1800 783 447 or +61 (3) 9473 2555 (if overseas)
Lodge online at:	www.investorvote.com.au (see the proxy form for online lodgement instructions)

How the Chair will vote undirected proxies

The Chair intends to vote any undirected proxies in favour of the Resolution.

If you wish, you can appoint the Chair as your proxy and direct the Chair to cast your votes contrary to the above stated voting intention or to abstain from voting on the Resolution. Simply mark your voting directions on the proxy form before you return it.

Voting exclusions

Certain voting exclusions apply to the Resolution - details are set out in the Explanatory Statement.

Important Notes

Concurrent Meetings

Each Security consists of a share in Elanor Investors Limited (EIL) and a unit in Elanor Investment Fund (EIF). The responsible entity of EIF is EFML. The shares and units are “stapled” together and quoted jointly on the ASX.

As EIL and EIF are separate entities, each is required to conduct a separate meeting. The Chair of the Meetings has determined that because the Resolution to be proposed at the two Meetings and the persons eligible to vote on the Resolutions are the same, both Meetings will be conducted concurrently so that, from an administrative and attendee point of view, the conduct of the Meetings will be as if they were one single meeting.

Quorum

The constitutions of EIL and EIF provide that three Securityholders present in person or by proxy, attorney or representative who are entitled to vote shall be a quorum for the Meetings.

Required voting thresholds

The vote on the Resolution will be conducted by way of a poll.

On a poll, each Securityholder has one vote for each Security held at 7:00pm Sydney time on 27 September 2021.

The Resolution is an ordinary resolution and will be passed if more than 50% of the votes cast on the Resolution are in favour.

Appointment of Chair

Pursuant to the authority of EIL under clause 18.6 of its constitution and EFML under clause 22.7 of the constitution of EIF, the Chair of the Board, Mr Paul Bedbrook, is to be the Chair of the Meetings. Failing him, another person appointed by EIL and EFML will act as Chair of the Meetings.

By order of the Board

Symon Simmons
Company Secretary

23 August 2021

Explanatory Statement

This is an important document. If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

Purpose of this Explanatory Statement

This Explanatory Statement explains the item of business to be considered at the Meetings and should be read in conjunction with the Notice. This Explanatory Statement provides Securityholders with the necessary information to assist them in deciding how to vote on the item of business to be considered at the Meetings.

This Explanatory Statement does not take into account the individual investment objectives, financial situation and particular needs of Securityholders or any other person. Accordingly, it should not be relied upon as the sole basis for any decision in relation to the item of business to be considered at the Meetings. You should read this Explanatory Statement in its entirety before making a decision as to how to vote at the Meetings. If you have any doubt as to what you should do once you have read this Explanatory Statement, you should consult your financial or legal adviser as soon as possible.

The Independent Expert has concluded in the Independent Expert's Report that the disposals of a portion of Elanor's interests in ELHF and all of its interests in the AHS are fair and reasonable to the Securityholders whose votes are not to be disregarded for the purposes of ASX Listing Rule 14.11, and that the disposals are on arm's length terms.

Forward looking statements

Certain statements in this Explanatory Statement relate to the future. Those statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Elanor to be materially different from future results, performance or achievements expressed or implied by those statements. These statements reflect views only as of the date of this Explanatory Statement.

While Elanor believes that the expectations reflected in the forward-looking statements of Elanor in this document are reasonable, neither Elanor nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Explanatory Statement will actually occur and you are cautioned not to place undue reliance on those forward looking statements.

Disclaimer

No person is authorised to give any information or make any representation in connection with the item of business to be considered at the Meetings which is not contained in this Explanatory Statement.

Any information or representation not contained in this Explanatory Statement may not be relied on as having been authorised by Elanor or the Directors in connection with the item of business to be considered at the Meetings.

Privacy

To assist Elanor to conduct the Meetings, Elanor may collect personal information including names, contact details and securityholding details of Securityholders and the names of persons appointed by Securityholders to act as proxy at the Meetings. Personal information of this nature may be disclosed by Elanor to its registry and print and mail service providers. Securityholders have certain rights to access their personal information that has been collected and should contact the Company Secretary if they wish to access their personal information.

ASX involvement

A copy of this Explanatory Statement, together with the Notice, was lodged on 23 August 2021 with ASX pursuant to the ASX Listing Rules. Neither ASX nor any of its officers or employees take any responsibility for the contents of the Notice and Explanatory Statement.

Glossary

Terms and abbreviations used in the Notice and Explanatory Statement have the same meanings and are defined in the Explanatory Statement's Glossary, other than in the Independent Expert's Report which contains its own glossary.

Key Dates

Event	Date
Date of this Notice and Explanatory Statement	23 August 2021
Dispatch of Notice, Explanatory Statement and Proxy Form to Securityholders	27 August 2021
Date for establishing voting entitlements	7:00pm, 27 September 2021
Latest time for receipt of Proxy Forms	10:00am, 27 September 2021
Meetings of Elanor Securityholders	10:00am, 29 September 2021

1. Background to Proposed Reorganisation

1.1 Overview of the current position of the funds

Elanor Metro and Prime Regional Hotel Fund (EMPR)

Elanor currently owns 42.9% of the interests in EMPR which owns and operates 10 metropolitan and regional hotels across Australia. Elanor acts as the fund manager and hotel operator for EMPR's assets. EMPR is a stapled security comprising two head trusts and two holding companies. The independent valuation of the hotel assets of EMPR was $170.9 million as at 30 June 2021.

Elanor Luxury Hotel Fund (ELHF)

Elanor originated and currently owns 100% of the interests in ELHF which owns and operates 3 luxury hotels in Australia. ELHF is a stapled security comprising a head trust and a holding company. The independent valuation of the hotel assets of ELHF as at 30 June 2021 is $172.0 million.

Elanor announced the establishment of ELHF in mid-2019 and determined to initially hold 100% of the equity in ELHF with a view to commencing a capital raising to wholesale and sophisticated investors in late 2019 and early 2020. The onset of the COVID-19 pandemic in early 2020 prevented the planned capital raising for ELHF with the result that Elanor determined to hold the asset on Elanor's balance sheet for the medium term and until such time as the capital raising to managed fund investors could be completed.

Albany Hotel Syndicate (AHS)

Elanor currently owns 100% of the interests in AHS which owns the Albany Hotel in Western Australia.

2. EHAF Reorganisation

2.1 The Elanor Hotel Accommodation Fund (EHAF)

The EHAF Reorganisation contemplates the establishment of the Elanor Hotel Accommodation Fund (EHAF) through:

(a) a capital raise of between $68.6 million to $92.7 million via a pro-rata entitlement offer to current EMPR investors to participate in the transaction and also through an offer to new wholesale and sophisticated investors;

(b) restructuring elements of the current EMPR and ELHF debt facilities;

(c) a reorganisation of the ownership interests of EMPR, ELHF and AHS, such that:

- (i) EMPR acquires 100% of AHS from Elanor;
- (ii) EMPR investors acquire part of the interests in ELHF from Elanor;
- (iii) EMPR and ELHF are merged by way of a stapling of the securities of EMPR and ELHF (including those held by Elanor in each entity); and

(d) amending the key documents of each of the entities within the stapled group to reflect the new name, the 'Elanor Hotel Accommodation Fund', and align the key documents with the EHAF Information Memorandum.

EFML has the powers under the constitution of EMPR and under the subscription agreements for the new investors, to effect the steps in the EHAF Reorganisation.

At the conclusion of the EHAF Reorganisation, Elanor will hold an interest in EHAF of between 49.0% (assuming a capital raising of $68.6 million) and 36.4% (assuming a capital raising of $92.7 million).

2.2 Rationale for EHAF Reorganisation

The EHAF Reorganisation will facilitate the syndication of the ELHF assets as originally planned. This is consistent with Elanor's stated strategy of being a 'capital lite' real estate funds management business (as detailed in Elanor's recent Annual Reports), and is consistent with recent market announcements, including Elanor's 1HFY21 Results Presentation which discusses the 'sell-down' of Elanor's hotel co-investments. This transaction is a further step in the execution of Elanor's stated capital lite strategy and will provide growth capital for Elanor and the opportunity to undertake capital management initiatives.

2.3 Reasons to vote in favour of the EHAF Reorganisation

The Directors have concluded that the EHAF Reorganisation is in the best interests of Securityholders and unanimously recommend that Securityholders vote in favour of the EHAF Reorganisation and the Resolution. In forming this view, the Directors have given careful consideration to the various advantages of the EHAF Reorganisation (set out in this Section 2.3) and the Disadvantages and Risk factors discussed below (in Sections 2.4 and 2.5 respectively). The Directors have also considered the Independent Expert's Report in relation to their recommendation to vote in favour of the Resolution.

The Directors are of the view that the following non-exhaustive list of advantages of the EHAF Reorganisation and other matters may be relevant to a Securityholder's decision to vote in favour of the Resolution:

(a) the EHAF Reorganisation proposed by Elanor allows for:

- (i) **Release of capital** - Elanor to execute on its stated strategy of syndicating ELHF, and thereby releasing capital to facilitate a range of potential growth and capital management initiatives;

(ii) **Single vehicle for improved performance, growth and liquidity outcomes** – the EHAF Reorganisation establishes a single hotel accommodation investment vehicle with Elanor as fund manager and hotel operator, which has greater scale and diversity than its predecessor funds (EMPR, ELHF and AHS), which will

(A) benefit from economies of scale and reduced concentration risk;

(B) improve access to capital (both debt and equity) for future growth by acquisition; and

(C) provide a pathway to a potential ASX listing, or alternatively, achieve a portfolio premium on a future trade sale;

(b) **Unlocking of value**- the unlocking of the value in the EHAF assets by combining them into a single hotel and accommodation investment within a well understood real estate investment structure;

(c) **Positioned for growth**- the establishment of the optimal investment vehicle to facilitate future acquisitions by EHAF; and

(d) **Conclusion of Independent Expert**- the Independent Expert was engaged by the Directors to provide an assessment as to whether the proposed disposals of the interests in ELHF and the AHS are fair and reasonable from the viewpoint of Securityholders whose votes are not to be disregarded for the purposes of ASX Listing Rule 14.11, and whether the proposed disposals are on arm's length terms. The Independent Expert has concluded that the proposed disposals of interests in both ELHF and the AHS are fair and reasonable to Securityholders whose votes are not to be disregarded for the purposes of ASX Listing Rule 14.11, and are on arm's lengths terms. A full copy of the Independent Expert's Report, which you are encouraged to read in full, is annexed to this Explanatory Statement as Schedule 1.

2.4 Reasons to vote against the EHAF Reorganisation

While the Directors unanimously recommend that you vote in favour of the EHAF Reorganisation, there are potential disadvantages associated with the EHAF Reorganisation of which you should be aware. This section should be read in conjunction with the Risk Factors in Section 2.5 of this Explanatory Statement.

(a) **You may disagree with Directors**- you may disagree with the conclusions of the Directors about the benefits of the EHAF Reorganisation.

(b) **You may perceive material risks**- the EHAF Reorganisation may change the risk profile for Securityholders, in that you may consider that it may be to Elanor's advantage to retain its current interests in ELHF and AHS until the further impacts of COVID-19 are understood.

(c) **You may disagree with the Independent Expert-** you may disagree with the conclusions of the Independent Expert that the disposals of interests in ELHF to the EMPR security holders and the AHS to EMPR are fair and reasonable.

2.5 Risk factors

The key risks of the EHAF Reorganisation are:

(a) **Adverse movements in Property Valuations** – Valuations ascribed to each property will be influenced by a number of ongoing factors both intrinsic and extrinsic to Elanor. You may consider that Elanor will achieve superior operating returns by retaining its current interests in ELHF and the AHS. Note that irrespective of the EHAF Reorganisation, Elanor will act as fund manager and hotel operator for ELHF and AHS assets.

(b) **Impact of COVID-19** – Events relating to COVID-19 have resulted in significant market uncertainty. Uncertainty remains as to the duration and further impact of COVID-19. You may consider that it may be to Elanor's advantage to retain its current interests in ELHF and AHS until any further impacts of COVID-19 are understood.

2.6 Directors' interests in the EHAF Reorganisation

None of the Directors nor their associates have any interest in the EHAF Reorganisation, other than as Securityholders as set out below:

Name	Securityholding	Voting Power
Paul Bedbrook	306,137	306,137
Glenn Willis	10,351,996*	10,351,996*
Nigel Ampherlaw	200,000	200,000
Anthony (Tony) Fehon	6,666	6,666

* including securities issued under the Elanor Long Term Incentive scheme

3. Resolution - Approval of disposals of interests in Elanor Luxury Hotel Fund and Albany Hotel Syndicate

3.1 ASX Listing Rule 10.1

Elanor is proposing to dispose of a portion of its interests in ELHF to EMPR investors (current and new investors through an offer to new wholesale and sophisticated investors), and to dispose of all its interests in the AHS to EMPR. EFML is trustee and manager of EMPR and is a subsidiary and associate of Elanor. Elanor is also a substantial holder of EMPR Securities.

ASX Listing Rule 10.1 provides that a listed entity must not dispose of, or agree to dispose of, a substantial asset to:

10.1.1 a related party;

10.1.2 a child entity;

10.1.3 a person who is, or was at any time in the 6 months before the transaction, a substantial holder in the listed entity;

10.1.4 an associate of any person referred to in Listing Rules 10.1.1 to 10.1.3; or

10.1.5 a person whose relationship with the listed entity or a person referred to in Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the issue or agreement should be approved by securityholders,

unless it first obtains the approval of its securityholders. Because EFML is a subsidiary of EIL and the responsible entity of EIF and therefore a child entity and related party of Elanor, the EHAF Reorganisation falls within ASX Listing Rules 10.1.1 and 10.1.2 and is considered to be a disposal of a substantial asset that requires the approval of Elanor's Securityholders under and for the purposes of ASX Listing Rule 10.1.

Under ASX Listing Rule 10.2, an asset is 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 interests of the entity as set out in the latest accounts given to ASX under the listing rules". The proposed disposal of AHS is for net consideration of approximately $2.4 million, reflecting the net assets of the fund. The proposed disposal of a partial interest in ELHF is for net consideration of between $16.6 million (assuming a capital raising of $68.6 million) and $40.7 million (assuming a capital raising of $92.7 million) reflecting a proportion of the net assets of the fund. Even at the lower end of the range for ELHF, these disposals would collectively exceed 5% of the equity interests in Elanor set out in its latest accounts, and accordingly are regarded as a disposal of substantial assets for the purposes of ASX Listing Rule 10.2.

In summary the EHAF Reorganisation technically constitutes the disposal of substantial assets to a related party, requiring approval from Securityholders for the purposes of ASX Listing Rule 10.1, as EFML will be acquiring interests in AHS as trustee for EMPR and interests in ELHF on behalf of EMPR investors.

Background information on ELHF and AHS is set out in Section 1 of this Explanatory Statement.

If the Resolution is passed, Elanor will be able to participate in the EHAF Reorganisation, which involves disposal of all of Elanor's interests in AHS to EMPR, disposal of part of Elanor's interests in ELHF to EMPR investors, and a merger of ELHF and EMPR via a stapling of the securities of ELHF and EMPR (including those held by Elanor in each entity).

If the Resolution is not passed, the EHAF Reorganisation will not proceed.

3.2 Information required by ASX Listing Rule 10.5

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.5, the following information is provided in relation to the disposals of interests in ELHF and AHS:

Term	Detail
Name of the persons to whom Elanor is disposing of the substantial assets	The disposal of interests in the AHS will be to EFML as trustee for EMPR. The disposal of interests in ELHF will be to EFML on behalf of EMPR investors. This is (relevantly) a consortium of third-party investors.
Nature of the persons to whom Elanor is disposing of the substantial assets	EFML is a subsidiary of EIL and the responsible entity of EIF and therefore a child entity and related party of Elanor and falls within categories in ASX Listing Rules 10.1.1 and 10.1.2.
Assets being disposed of	Under the terms of the EHAF Reorganisation, Elanor will: • Dispose of 100% of its interest in AHS to EMPR. AHS owns the ibis Styles Albany Hotel; • Dispose of an interest in ELHF of between 25% (assuming a capital raising of $68.6 million) and 62% (assuming a capital raising of $92.7 million) to EMPR investors. ELHF owns three hotels namely, the Mayfair Hotel, Cradle Mountain Lodge and Adabco Boutique Hotel (please refer to the Independent Expert's Report for further details regarding the assets owned by ELHF); and • Participate in the merger of EMPR and ELHF by way of a stapling of the securities of EMPR and ELHF, in respect of the securities held by it in each entity.

Term	Detail
	At the conclusion of the EHAF Reorganisation, Elanor will hold an interest in EHAF of between 49.0% (assuming a capital raising of $68.6 million) and 36.4% (assuming a capital raising of $92.7 million). This includes exposure to the assets of AHS and ELHF which form part of the stapled group.
How the substantial assets are being disposed of	• Elanor is disposing of the proposed proportion of its interest in ELHF by transferring the corresponding number of securities in ELHF held by it to EMPR securityholders as part of the EHAF Reorganisation; and • Elanor is disposing of all securities in AHS held by it to EFML as trustee for EMPR. • Elanor's retained interest in ELHF
Consideration	The consideration to be received by Elanor for all its interests in AHS, will be $2.4 million reflecting the current net assets of the fund. The net consideration to be received for the sell down of Elanor's interests in ELHF, based on the current $66.0 million net assets of the fund, will be between $16.6 million (assuming a capital raising of $68.6 million) and $40.7 million (assuming a capital raising of $92.7 million). The sale prices for AHS and ELHF are based on independent valuations of each property as at June 2021, with the addition of other assets and deduction of liabilities at face value. An assessment of the pricing methodology and fairness of each transaction is set out in the Independent Expert's Report.
Use of funds	The funds raised by the disposal of the interests in ELHF and AHS will be used for various capital management initiatives and to facilitate future growth opportunities for Elanor.
Timetable for completing the disposal	Completion of the EHAF Reorganisation is scheduled to occur by 30 September 2021.

3.3 Summary of Independent Expert's Report

Under ASX Listing Rule 10.5.10, a notice of meeting seeking securityholder approval for the purposes of ASX Listing Rule 10.1 must include a report on the proposed disposals of the relevant assets from an independent expert. The report must state the independent expert's opinion as to whether the transaction is fair and reasonable to the Securityholders whose votes are not to be disregarded under ASX Listing Rule 14.11.

EFML appointed BDO Corporate Finance (East Coast) Pty Ltd as an independent expert (Independent Expert) and commissioned it to prepare a report to provide an opinion as to whether the disposals of Elanor's interests in ELHF and AHS are fair and reasonable to the Securityholders whose votes are not to be disregarded for the purposes of ASX Listing Rule 14.11. The Independent Expert's Report also opines on whether those disposals are on arm's length terms.

A copy of the Independent Expert's report dated 20 August 2021 in relation to the disposals of Elanor's interests in ELHF and AHS (Independent Expert's Report) is annexed to this Explanatory Statement as Schedule 1.

The Independent Expert has concluded in the Independent Expert's Report that the disposals of Elanor's interests in ELHF and AHS are fair and reasonable to the Securityholders whose votes are not to be disregarded for the purposes of ASX Listing Rule 14.11, and that the disposals are on arm's length terms.

The Directors recommend that Securityholders read the Independent Expert's Report in full.

3.4 Valuation Summaries

The net consideration to be received for Elanor's interests in AHS is $2.4 million. For ELHF, the net consideration will be between $16.6 million (assuming a $68.6 million capital raising) and $40.7 million (assuming a $92.7 million capital raising). The net consideration to be received by Elanor is based on the independent valuations prepared for those properties. Copies of the full independent valuations prepared by the Valuers can be viewed at the offices of Elanor upon request. Valuers were appointed as independent valuers by EFML and the Valuation Summaries were addressed to the Independent Expert.

The Independent Expert has also engaged an independent valuation firm to complete peer reviews of the independent valuations prepared for ELHF and AHS. These peer reviews are incorporated in the Independent Expert's Report.

3.5 Recommendation

The Board unanimously recommends that Securityholders vote in favour of the Resolution.

Furthermore, eligible Securityholders who hold 55.8% of Securities on issue as at the date of this Explanatory Statement, and advisers to eligible Securityholders who hold 8.3% of Securities on issue at that date, in each case whose votes are not to be disregarded under ASX Listing Rule 14.11, have indicated that they intend to support the approval of the Resolution.

The Chair of the Meetings intends to vote all undirected proxies in favour of the Resolution.

3.6 Voting Exclusion

Elanor will disregard any votes cast in favour of the Resolution by or on behalf of:

- a Director; or
- any person or persons acquiring ELHF and/or the AHS from Elanor and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of Securities); or
- an associate of those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- 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 Meetings 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.

3.7 Consents

The Independent Expert has consented to the inclusion in the Notice and this Explanatory Statement of both the Independent Expert's Report and the statements in the Notice and this Explanatory Statement said to be based on a statement by the Independent Expert in the form and context in which they have been included, and as at the date of the Notice and this Explanatory Statement it had not withdrawn that consent.

The Valuers have consented to the inclusion of the Valuation Summaries and the statements said to be based on their respective independent valuations of the hotel assets of ELHF and AHS and the Valuation Summaries in the Notice and this Explanatory Statement in the form and context in which they have been included, and as at the date of the Notice and this Explanatory Statement they had not withdrawn that consent.

Glossary

AASB	Australian Accountings Standards Board
AHS	Albany Hotel Syndicate
ASIC	the Australian Securities and Investments Commission
ASX	ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires
ASX Listing Rule	a listing rule of the ASX
Board	the board of Directors
Company Secretary	the company secretary of EFML and EIL
Computershare	Computershare Investor Services Pty Limited
Corporations Act	*Corporations Act 2001* (Cth)
Corporations Regulations	*Corporations Regulations 2001* (Cth)
Director	a director of EFML or EIL
DPS	distribution per security
EFML	Elanor Funds Management Limited
EHAF	Elanor Hotel Accommodation Fund
EIF	Elanor Investment Fund
EIL	Elanor Investors Limited
Elanor	Elanor Investors Group (a stapled group comprising Elanor Investors Limited and Elanor Investment Fund)
Explanatory Statement	this explanatory statement
Independent Expert	BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170; AFS Licence No. 247420
Independent Expert's Report	the report on the proposed disposals of EHAF and AHS prepared by the Independent Expert, which is included as Schedule 1
Meetings	the meeting of shareholders of EIL in conjunction with the meeting of unit holders of EIF to be held on 29 September 2021
Notice	the notice of meetings of Securityholders to which this Explanatory Statement is attached
REIT	a real estate investment trust
Resolution	The resolution to approve the EHAF Reorganisation which is to be considered at the Meetings
Securities or Security	fully paid stapled securities of Elanor consisting of a fully paid share in EIL stapled to a fully paid unit in EIF
Securityholder	a holder of a Security
Valuation Summaries	The valuation summaries prepared by the Valuers, as set out in the Independent Expert's Report
Valuers	Valuation Services (Vic) Pty Ltd, trading under licence as Knight Frank Valuation & Advisory Victoria; and CBRE Valuations Pty Limited

Schedule 1 - Independent Expert's Report

INDEPENDENT EXPERT REPORT

Elanor Investors Limited and Elanor Funds Management Limited, as Responsible Entity of Elanor Investment Fund

In relation to the disposal of interests in
- the Elanor Luxury Hotel Fund, and
- the Albany Hotel Syndicate

to a related party

20 August 2021

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

FINANCIAL SERVICES GUIDE

Dated: 20 August 2021

This Financial Services Guide (**'FSG'**) helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd (**'BDO Corporate Finance, we, us, our').**

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the 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.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us $55,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, 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 general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

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

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of 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. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a 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.

Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is 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 company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

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

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au

SUMMARY OF FINDINGS

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Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

The Directors
Elanor Investors Limited and
Elanor Funds Management Limited in its capacity as
Responsible Entity of Elanor Investments Fund
Level 38, 259 George Street
SYDNEY NSW 2000

20 August 2021

Dear Directors

INDEPENDENT EXPERT REPORT IN RELATION TO THE DISPOSAL OF INTERESTS IN - THE ELANOR LUXURY HOTEL FUND, AND - THE ALBANY HOTEL SYNDICATE, TO A RELATED PARTY

INTRODUCTION AND PURPOSE

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF**, **we**, **us** or **our**) has been appointed by the directors (**Directors**) of Elanor Funds Management Limited (**EFML** or the **Company**) as Responsible Entity for the Elanor Investment Fund (**EIF**) whose securities are stapled to Elanor Investors Limited (**EIL**) and trade as Elanor Investors Group (**ENN**), to prepare an independent expert report (**Report** or **IER**) setting out our opinion as to whether:

- the proposed disposals of ENN's interests in the Elanor Luxury Hotel Fund (**ELHF)** and Albany Hotel Syndicate (**AHS**) by ENN to a related party, Elanor Metro and Regional Hotel Fund (**EMPR**), and receipt of a combination of cash and securities in newly formed Elanor Hotel Accommodation Fund (**EHAF**), is fair and reasonable to the securityholders of ENN (the **Securityholders**), whose votes are not to be disregarded under ASX Listing Rule 14.11; and
- the proposed disposals are on arm's length terms for the purposes of Section 208 of the Corporations Act 2001 (Cth) (as modified by section 601LC of the Corporations Act 2001 (Cth)), and having regard to the principles for determining whether transactions are arm's length as set out in the Australian Securities and Investments Commission (ASIC) Regulatory Guide 76.

Overview of the EHAF Reorganisation

Elanor Investors Group is a stapled group comprising Elanor Investors Limited and Elanor Investment Fund, whose securities are stapled and trade as ENN on the Australian Securities Exchange (**ASX**). EFML is the Responsible Entity of EIF.

ENN is proposing to undertake a transaction to:

- combine the unlisted ENN managed fund ELHF and the unlisted ENN managed fund EMPR;
- transfer ENN's interest in the AHS to EMPR; and
- reorganise these entities into a new stapled fund structure to be called the EHAF (the **EHAF Reorganisation**).

Additional capital is being raised via a pro-rata entitlement offer for existing EMPR fund investors, and a capital raise from new wholesale and sophisticated investors (together, the **Capital Raise**). The total amount sought will range between \$68.6m and \$92.7m.

Further details of the EHAF Reorganisation are provided in the Notice of Meeting and Explanatory Memorandum (**Transaction Document**).

Overview of the Proposed Transaction

Currently ENN securityholders hold the following interests:

- 100% of ELHF;
- 100% of AHS; and
- 42.9% in EMPR.

As part of the EHAF Reorganisation, the above interests will be reorganised, and ENN securityholders will receive:

- Cash consideration for ELHF of between $16.6m and $40.7m, subject to the amount raised in the Capital Raise;
- Cash consideration for AHS of $2.4m;
- EHAF securities representing an interest in all of the net assets of EMPR, ELHF and AHS of between 36.4% and 49.0%, subject to the Capital Raise; and
- Transaction costs for the EHAF Reorganisation payable by EHAF to the manager of EHAF, a wholly owned subsidiary of ENN.
- The right to receive additional ongoing management fees from EHAF.
- In addition, ENN will provide a minimum 8% distribution guarantee to EHAF securityholders during FY22 (**Distribution Guarantee**).

Collectively, the **Proposed Transaction**.

If $68.6m is raised in the Capital Raise, the cash consideration for ELHF will be $16.6m and the resultant ENN stake in EHAF will be approximately 49.0%.

If $92.7m is raised in the Capital Raise, the cash consideration for ELHF will be $40.7m and the resultant ENN stake in EHAF will be approximately 36.4%.

The total transaction consideration to be paid to the Securityholders will therefore comprise cash, securities, transaction fees receivable and additional ongoing management fees, net of the Distribution Guarantee (**Transaction Consideration**). As the total consideration in the Proposed Transaction represents greater than 5% of the equity interests in ENN, the Proposed Transaction is regarded as a disposal of substantial assets.

As EFML is trustee and manager of EMPR, a subsidiary and associate of ENN, and also a substantial holder of EMPR securities (in its capacity as Responsible Entity of EIF), and will be:

- on the sell-side of the Proposed Transaction as Responsible Entity for EIF and disposal of interests in AHS, EMPR and ELHF; and
- on the buy-side of the Proposed Transaction as trustee of the trusts within EMPR which will be stapled to ELHF to form EHAF,

the transaction is considered to be a related party transaction.

APPROACH

The Directors have requested that BDOCF prepare an IER stating whether, in our opinion, the Proposed Transaction is fair and reasonable to the Securityholders and on arm's length terms, to satisfy the requirements of:

- ASX Listing Rule 10.1 (**LR 10.1**); and
- Section 208 of the Corporations Act (Cth) (as modified by section 601LC of the Corporations Act (Cth) (**s208**) having regard to ASIC Regulatory Guide 76 (**RG 76**)).

Listing Rule 10.1

LR 10.1 deals with transactions between an entity and persons in a position to influence the entity. If an ASX listed entity is disposing of a significant asset to a related party, LR 10.1 requires the securityholders to approve the disposal.

LR 10.5.10 requires that a report on the transaction from an independent expert be included in the notice of meeting. The report must state the expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes in favour of the transaction are not to be disregarded under LR 14.11.

In preparing our IER, we have considered the requirements of:

- ASIC Regulatory Guide 111 Content of expert reports (**RG 111**);
- ASIC Regulatory Guide 112 Independence of experts (**RG 112**); and

- Accounting Professional & Ethical Standards Board (**APESB**) professional standard APES 225 'Valuation Services' (**APES 225**).

RG 111 establishes guidelines in respect of independent expert reports under the Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist Securityholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

This engagement is a Valuation Engagement as defined by APES 225.

Fairness

RG 111 indicates that where the proposed transaction consists of an asset disposal by the entity, it is 'fair' if the value of the financial benefit being received by the entity from the related party is greater than or equal to the value of the assets being disposed. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Reasonableness

In accordance with RG 111.60, a proposed related party transaction is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons for Securityholders to vote for the proposal.

When deciding whether a proposed transaction is 'reasonable', factors an expert might consider include:

- the financial situation and solvency of the entity;
- the alternative options available to the entity;
- the entity's bargaining position;
- whether there is selective treatment of any securityholder; and
- any special value of the transaction to the purchaser.

Arm's length terms

Our report also opines on whether the Proposed Transaction is on arm's length terms for the purposes of section 208 of the Corporations Act 2001 (Cth) (as modified by section 601LC of the Corporations Act 2001 (Cth).

ENN is not seeking member approval for any related party transactions under the Corporations Act. ENN will instead, rely on the arm's length exception in s210.

RG 76 provides guidance as to the definition of the terms "Arm's Length":

- The Corporations Act does not define 'arm's length'.
- Case law on the meaning of 'arm's length' suggests that this phrase refers to a relationship between parties where neither bears the other any special duty or obligation, they are unrelated, uninfluenced and each acts in its own interests.
- This meaning of 'arm's length' is supported in recent case law that applies the phrase as it appears in taxation and other legislation.
- Specifically, ASIC v Australian Investors Forum at [456] indicates that, in determining the objective standards that would characterise arm's length terms, courts should consider the transaction terms that would result if:
  - (a) the parties to the transaction were unrelated in any way (e.g. financially, or through ties of family, affection or dependence);
  - (b) the parties were free from any undue influence, control or pressure;
  - (c) through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound judgement as to what was in its interests; and
  - (d) each party was concerned only to achieve the best available commercial result for itself in all the circumstances.

RG 76 provides guidance in relation to the arm's length exemption in s210:

- When considering whether this exception applies, public companies and responsible entities should consider all of the following factors:
  - how the terms of the overall transaction compare with those of any comparable transactions on an arm's length basis;
  - the nature and content of the bargaining process;
  - the impact of the transaction on the company or registered scheme;
  - any other options available to the entity; and
  - any expert advice received by the entity.

In deciding whether the exception applies, the terms on which the financial benefit is given should be compared to the objective range of possible terms that these unrelated, uninfluenced and self-interested parties would reasonably arrive at in the circumstances.

SUMMARY OF OPINION

We have considered the terms of the Proposed Transaction, as outlined in the body of this Report, and have concluded that it is fair and reasonable to the Securityholders.

We have concluded that the transaction is fair. We therefore conclude that the Proposed Transaction is on arm's length terms in accordance with RG76.

A summary of our analysis in forming the above opinion is provided below. This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

In a draft report released to Management on 13 August 2021, our report concluded that the Proposed Transaction was "not fair but reasonable". We have updated our fairness assessment to incorporate clarifying information provided by Management regarding additional fees to be received by ENN in connection with the Proposed Transaction. As a result of the revised analysis, our opinion has changed in this report to "fair and reasonable".

Fairness Assessment

In undertaking our assessment of fairness, we have had regard to the ASIC's RG 111.

The Proposed Transaction is 'fair' if the value of the financial benefit being received by the entity is greater than or equal to the value of the assets being disposed. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Our analysis has been performed by comparing:

- the FMV of the interests pre-transaction; and
- the FMV of the Transaction Consideration.

The results of our fairness analysis are summarised below.

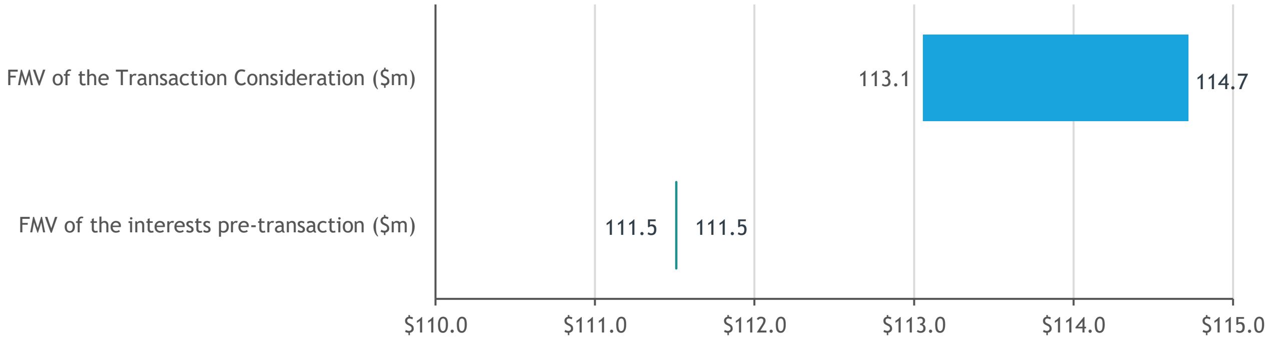
Table 1: Fairness summary

Low Capital Raise	$m
FMV of the interests pre-transaction	111.5
FMV of the Transaction Consideration	113.1
Fairness - Low Capital Raise scenario	**1.5**

High Capital Raise	$m
FMV of the interests pre-transaction	111.5
FMV of the Transaction Consideration	114.7
Fairness - High Capital Raise scenario	**3.2**

Source: BDOCF analysis

Figure 1: Fairness assessment



Source: BDOCF analysis

As set out above, the FMV of the Transaction Consideration offered to the Securityholders is above the FMV of the interests held in ELHF, AHS and EMPR prior to the transaction.

Therefore, we have concluded that the Proposed Transaction is fair to Securityholders.

Reasonableness assessment

In accordance with RG 111.60 an offer is reasonable if it is fair. On this basis, the Proposed Transaction is reasonable to Securityholders.

We have set out below a summary of reasonableness factors we consider relevant in assisting the Securityholders in deciding whether or not to vote in favour of the Proposed Transaction.

Table 2: Summary of factors considered in the reasonableness assessment

Advantages	
The Proposed Transaction is fair	Our analysis concludes that the Proposed Transaction is fair to Securityholders. RG 111 states that an offer is reasonable if it is fair.
The formation of a single hotel and accommodation investment vehicle	The Proposed Transaction will enable the combination of ENN's 14 Australian hotels into one investment vehicle. EHAF may provide ENN with a platform for greater operational control to maximise performance and growth opportunities, improve access to capital, and provide a pathway to a potential ASX listing or future trade sale of the portfolio of hotels.
Successful capital raise	The Capital Raise has been successful with circa $75m in commitments received up to August 2021. Capital has been raised from investors who have not invested in ENN funds previous, potentially increasing ENN's sources of capital in the future.
Reduction in gearing levels	The Proposed Transaction will enable ENN to undertake capital management initiatives and reduce the gearing of ENN's hotel investments.
Diversification of risk	ENN securityholders currently hold a 100% interest in the 4 hotels of ELHF and AHS. Post transaction, the interest held will be reduced to between 36% and 49% across the portfolio of 14 hotels. This diversifies ENN's investments and reduces ENN's exposure to the assets in ELHF and AHS.
Release of ENN capital	The syndication of ENN's hotel investments will free up immediate cash flow to ENN for other investment opportunities and potential distributions to Securityholders.
Disadvantages	
The Distribution Guarantee	As part of the Proposed Transaction, ENN will guarantee that the income distribution per security payable by EHAF to investors for the period from the allotment date to 30 June 2022 is a minimum of 8% p.a. on the issue price. There is uncertainty as to the trading performance of the assets over this time period. Lockdowns and restrictions are a key factor behind this uncertainty. On the basis of independent property valuer forecasts for the 14 hotels and continued uncertainty around the impact of COVID-19, it is likely that a top-up payment will be required.

Table 2: Summary of factors considered in the reasonableness assessment (cont'd)

Other considerations	
ENN securityholders' investment profile may change as a result of the Proposed Transaction	Whilst ENN securityholders will continue to hold between 36.4% and 49.0% interest in the 14 hotels post-transaction, the longer term strategy may be to reduce ENN's investment to approximately 15%. The introduction of new initiatives in EHAF and new capital partners may expose Securityholders to a different risk profile if the Proposed Transaction is approved. As a result of the above, ENN securityholders may not wish to be exposed to the adjusted risk profile of the enlarged hotel fund following the Proposed Transaction.
Future of ELHF and AHS if the Proposed Transaction is rejected	The syndication of ELHF to third party investors has been an articulated strategy of ENN since the establishment of ELHF in November 2019. If the Proposed Transaction is rejected by Shareholders, ENN may continue to investigate alternatives to sell down ENN's hotel co-investments.

Source: BDOCF analysis

Based on the above analysis, we consider the Proposed Transaction to be reasonable to Securityholders.

Arm's length assessment

We consider the Proposed Transaction to be on arm's length terms. In reaching this conclusion we have considered the following:

- ENN and EMPR were represented by two separate sub-committees with access to their own legal and financial advisors;
- The FMV of ENN interests pre-transaction and Transaction Consideration payable have been based on independent valuations prepared by external property valuers, being CBRE Valuations Pty Limited (**CBRE**), Knight Frank Valuation & Advisory (**Knight Frank**) and Opteon Property Group Pty Ltd (**Opteon**). These valuations consider valuation metrics from arm's length transactions for similar assets to the acquired hotels; and
- We have concluded that the transaction is "Fair".

OTHER MATTERS

Securityholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the Proposed Transaction on the particular circumstances of individual Securityholders. Some individual Securityholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in this IER. Accordingly, individual Securityholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable and on arm's length terms in their individual circumstances.

The decision of an individual Securityholder in relation to the Proposed Transaction may be influenced by their particular circumstances and accordingly Securityholders are advised to seek their own independent advice.

Approval or rejection of the Proposed Transaction is a matter for individual Securityholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. The Securityholders should carefully consider the Transaction Document. The Securityholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert, when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the Proposed Transaction. In preparing the IER, we considered ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO Groups Holdings Limited or BDOCF and any of the parties to the Proposed Transaction;
- the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- that we have been appointed as independent expert for the purposes of providing an IER in relation to the Proposed Transaction for the Directors;

- that we have relied on information provided by the Directors and management of EFML (**Management**) and that we have not carried out any form of audit or independent verification of the information; and
- that we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

Current market conditions

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

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date, that subsequently becomes known to us.

Glossary

Capitalised terms used in this IER have the meanings in the glossary set out in **Appendix 1**.

Sources of information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by EFML.

Under the terms of our engagement, EFML has agreed to indemnify BDOCF and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and the Securityholders to assist them in their decision to approve or reject the Proposed Transaction. This IER is to accompany the Transaction Document to be sent to the Securityholders to consider the Proposed Transaction and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Securityholders without our written consent. We accept no responsibility to any person other than the Directors and the Securityholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER within the Transaction Document. Apart from this IER, we are not responsible for the contents of the Transaction Document or any other document associated with the Transaction Document. We acknowledge that this IER may be lodged with regulatory authorities.

Summary

This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

Financial Service Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully
BDO CORPORATE FINANCE (EAST COAST) PTY LTD

David McCourt
Director

Sebastian Stevens
Director

INDEPENDENT EXPERT REPORT

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1. PURPOSE AND BACKGROUND

1.1. Purpose

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF**, **we**, **us** or **our**) has been appointed by the directors (**Directors**) of Elanor Funds Management Limited (**EFML** or **the Company**) as Responsible Entity for the Elanor Investment Fund (**EIF**) whose securities are stapled to Elanor Investors Limited (**EIL**) and trade as Elanor Investors Group (**ENN**), to prepare an independent expert report (**Report** or **IER**) setting out our opinion as to whether:

- the proposed disposals of ENN's interests in the Elanor Luxury Hotel Fund (**ELHF)** and Albany Hotel Syndicate (**AHS**) by ENN to a related party, Elanor Metro and Regional Hotel Fund (**EMPR**), and receipt of a combination of cash and securities in newly formed Elanor Hotel Accommodation Fund (**EHAF**), is fair and reasonable to the securityholders of ENN (the **Securityholders**), whose votes are not to be disregarded under ASX Listing Rule 14.11; and
- the proposed disposals are on arm's length terms for the purposes of Section 208 of the Corporations Act 2001 (Cth) (as modified by section 601LC of the Corporations Act 2001 (Cth)), and having regard to the principles for determining whether transactions are arm's length as set out in the Australian Securities and Investments Commission (ASIC) Regulatory Guide 76.

This IER is to accompany the Notice of Meeting and Explanatory Memorandum (**Transaction Document**) to be provided to the Securityholders. It has been prepared to assist and enable the Securityholders to assess the Proposed Transaction.

1.2. Overview of the EHAF Reorganisation

Elanor Investors Group is a stapled group comprising Elanor Investors Limited and Elanor Investment Fund, whose securities are stapled and trade as ENN on the Australian Securities Exchange (**ASX**). EFML is the Responsible Entity of EIF.

ENN is proposing to undertake a transaction to:

- combine the unlisted ENN managed fund ELHF and the unlisted ENN managed fund EMPR;
- transfer ENN's interest in the AHS to EMPR; and
- reorganise these entities into a new stapled fund structure to be called the EHAF (the **EHAF Reorganisation**).

Additional capital is being raised via a pro-rata entitlement offer for existing EMPR fund investors, and a capital raise from new wholesale and sophisticated investors (together, the **Capital Raise**). The total amount sought will range between $68.6m and $92.7m.

Further details of the EHAF Reorganisation are provided in the Notice of Meeting and Explanatory Memorandum (**Transaction Document**).

1.3. Overview of the Proposed Transaction

Currently ENN securityholders hold the following interests:

- 100% of ELHF;
- 100% of AHS; and
- 42.9% in EMPR.

As part of the EHAF Reorganisation, the above interests will be reorganised, and ENN securityholders will receive:

- cash consideration for ELHF of between $16.6m and $40.7m, subject to the amount of funds raised in the Capital Raise;
- cash consideration for AHS of $2.4m;
- EHAF securities representing an interest in all of the net assets of EMPR, ELHF and AHS of between 36.4% and 49.0%, subject to the Capital Raise;
- transaction costs for the EHAF reorganisation payable by EHAF to the manager of EHAF, a wholly owned subsidiary of ENN; and
- the right to receive additional ongoing management fees from EHAF.
- In addition ENN will provide a minimum 8% distribution guarantee to EHAF securityholders during FY22 (Distribution Guarantee).

Collectively, the **Proposed Transaction**.

If $68.6m is raised in the Capital Raise, the cash consideration for ELHF will be $16.6m and the resultant ENN stake in EHAF will be approximately 49.0%.

If $92.7m is raised in the Capital Raise, the cash consideration for ELHF will be $40.7m and the resultant ENN stake in EHAF will be approximately 36.4%.

The total transaction consideration to be paid to the Securityholders will therefore comprise cash, securities, transaction fees receivable and additional ongoing management fees, net of the Distribution Guarantee (**Transaction Consideration**). As the total consideration in the Proposed Transaction represents greater than 5% of the equity interests in ENN, the Proposed Transaction is regarded as a disposal of substantial assets.

As EFML is trustee and manager of EMPR, a subsidiary and associate of ENN, and also a substantial holder of EMPR securities (in its capacity as Responsible Entity of EIF), and will be:

- on the sell-side of the Proposed Transaction as Responsible Entity for EIF and disposal of interests in AHS and ELHF; and
- on the buy-side of the Proposed Transaction as trustee of the trusts within EMPR which will be stapled to ELHF to form EHAF,

the transaction is considered to be a related party transaction.

2. SCOPE AND LIMITATIONS

2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether the Proposed Transaction is fair and reasonable to the Securityholders and on arm's length terms has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the fair market value (**FMV**) of various securities, assets and liabilities. For the purposes of our opinion, the term FMV is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

2.2. Summary of regulatory requirements

The Directors have requested that BDOCF prepare an IER stating whether, in our opinion, the Proposed Transaction is fair and reasonable to the Securityholders and on arm's length terms, to satisfy the requirements of:

- ASX Listing Rule 10.1 (**LR 10.1**); and
- Section 208 of the Corporations Act (Cth) (as modified by section 601LC of the Corporations Act (Cth) (**s208**) having regard to ASIC Regulatory Guide 76 (**RG 76**).

2.2.1. Listing Rule 10.1

LR 10.1 deals with transactions between an entity and persons in a position to influence the entity. If an ASX listed entity is disposing of a significant asset to a related party, LR 10.1 requires the securityholders to approve the disposal.

LR 10.5.10 requires that a report on the transaction from an independent expert be included in the notice of meeting. The report must state the expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes in favour of the transaction are not to be disregarded under LR 14.11.

In preparing our IER, we have considered the requirements of:

- ASIC Regulatory Guide 111 Content of expert reports (**RG 111**);
- ASIC Regulatory Guide 112 Independence of experts (**RG 112**); and
- Accounting Professional & Ethical Standards Board (**APESB**) professional standard APES 225 'Valuation Services' (**APES 225**).

RG 111 establishes guidelines in respect of independent expert reports under the Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist Securityholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

This engagement is a Valuation Engagement as defined by APES 225.

The requirements of Section 208 of the Corporations Act and the principles set out in RG 76 are discussed in further detail in section 2.3.3.

2.3. Basis of assessment

In determining whether the Proposed Transaction is fair and reasonable to the Securityholders, we have had regard to:

- RG 111 'Content of expert reports'
- RG 112 'Independence of experts'

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is the offer 'fair'?
- Is it 'reasonable'?

The terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

2.3.1. Fairness

RG 111 indicates that where the proposed transaction consists of an asset disposal by the entity, it is 'fair' if the value of the financial benefit being received by the entity from the related party is greater than or equal to the value of the assets being disposed. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Our analysis has been performed by comparing:

- the FMV of the interests pre-transaction (being the value of the assets being acquired per RG 111.57); and
- the FMV of the Transaction Consideration (being the value of the consideration being provided per RG 111.57).

2.3.2. Reasonableness

In accordance with RG 111.60, a proposed related party transaction is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons for securityholders to vote for the proposal.

When deciding whether a proposed transaction is 'reasonable', factors an expert might consider include:

- the financial situation and solvency of the entity;
- the alternative options available to the entity;
- the entity's bargaining position;
- whether there is selective treatment of any securityholder; and
- any special value of the transaction to the purchaser.

2.3.3. Arm's length terms

Our report also opines on whether the Proposed Transaction is on arm's length terms for the purposes of the section 208 of the Corporations Act 2001 (Cth) (as modified by section 601LC of the Corporations Act 2001 (Cth).

EFML is not seeking member approval for any related party transactions under the Corporations Act. EFML will instead, rely on the arm's length exception in s210.

RG 76 provides guidance as to the definition of the terms "Arm's Length":

- The Corporations Act does not define 'arm's length'.
- Case law on the meaning of 'arm's length' suggests that this phrase refers to a relationship between parties where neither bears the other any special duty or obligation, they are unrelated, uninfluenced and each acts in its own interests.
- This meaning of 'arm's length' is supported in recent case law that applies the phrase as it appears in taxation and other legislation.
- Specifically, ASIC v Australian Investors Forum at [456] indicates that, in determining the objective standards that would characterise arm's length terms, courts should consider the transaction terms that would result if:

(a) the parties to the transaction were unrelated in any way (e.g. financially, or through ties of family, affection or dependence);

(b) the parties were free from any undue influence, control or pressure;

(c) through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound judgement as to what was in its interests; and

(d) each party was concerned only to achieve the best available commercial result for itself in all the circumstances.

RG 76 provides guidance in relation to the arm's length exemption in s210:

- When considering whether this exception applies, public companies and responsible entities should consider all of the following factors:
  - how the terms of the overall transaction compare with those of any comparable transactions on an arm's length basis;
  - the nature and content of the bargaining process;
  - the impact of the transaction on the company or registered scheme;
  - any other options available to the entity; and
  - any expert advice received by the entity.

In deciding whether the exception applies, the terms on which the financial benefit is given should be compared to the objective range of possible terms that these unrelated, uninfluenced and self-interested parties would reasonably arrive at in the circumstances.

2.3.4. General requirements in relation to the IER

In preparing the IER ASIC requires the independent expert, when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Proposed Transaction. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO Groups Holdings Limited or BDOCF and any of the parties to the Proposed Transaction;
- the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- we have been appointed as independent expert for the purposes of providing an IER in relation to the Proposed Transaction for the Directors;
- that we have relied on information provided by the Directors and management of EFML (**Management**) and that we have not carried out any form of audit or independent verification of the information; and
- that we have received representations from the Directors and Management of EFML in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

2.4. Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the FMV. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of FMV as it relates to the individual circumstances of special purchasers.

2.5. Reliance on information

This IER is based upon financial and other information provided by the Directors, Management and other representatives of EFML. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of Management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, EFML has agreed to indemnify BDOCF, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.6. Limitations

We acknowledge that this IER may be lodged by the Directors with regulatory and statutory bodies and will be included in the Transaction Document to be sent to the Securityholders. The Directors acknowledge that our IER has been prepared solely for the purposes noted in the Transaction Document and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of EFML. We understand that the Directors have been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

We note that the IER does not deal with the individual investment circumstances of the Securityholders and no opinion has been provided in relation to same. Some individual Securityholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the Proposed Transaction is fair and reasonable. An individual Securityholder's decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, Securityholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Transaction Document or any other document. We have provided consent for inclusion of the IER in the Transaction Document. Our consent and the Transaction Document acknowledge that we have not been involved with the issue of the Transaction Document and that we accept no responsibility for the Transaction Document apart from the IER.

2.7. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- assumptions outlined in the valuation sections;
- that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- information sent out in relation to the Proposed Transaction to the Securityholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects;
- publicly available information relied on by us is accurate, complete and not misleading;
- if the Proposed Transaction is implemented, that it will be implemented in accordance with the stated terms;
- the legal mechanisms to implement the Proposed Transaction are correct and effective; and
- there are no undue changes to the terms and conditions of the Proposed Transaction or material issues unknown to us.

3. PROFILE OF ELANOR INVESTORS GROUP

3.1. Overview

Elanor Investors Group (**ENN**) is a stapled group comprising Elanor Investors Limited (**EIL**) and Elanor Investment Fund (**EIF**). ENN listed in July 2014 and is an Australian real estate funds management business that specialises in assets that have strong cash flows and prospective capital gain. Since listing, ENN has predominantly invested in metropolitan and prime regional locations within the hotels, tourism & leisure, commercial, retail, and healthcare sectors across Australia and New Zealand. The principal activities of ENN are the management of real estate investment funds and the investment in, and operation of, a portfolio of real estate investment assets and businesses. As at 31 December 2020 ENN has assets and investments under management of $2,083.3m.

EFML holds an Australian financial services licence (**AFSL**) and is the trustee and manager of EMPR and the Responsible Entity of EIF. EFML is a subsidiary and associate of EIL.

3.2. Directors and Management

The current board of directors and senior management of ENN are listed in the following table.

Table 3: Directors and management

Name	Position
Paul Bedbrook	Independent Non-Executive Chairman
Glenn Willis	Managing Director and Chief Executive Officer
Nigel Ampherlaw	Independent Non-Executive Director, Chairman, Audit and Risk Committee
Anthony Fehon	Independent Non-Executive Director, Chairman, Remuneration and Nominations Committee
Michael Baliva	Co-Head of Real Estate
David Burgess	Co-Head of Real Estate
Marianne Ossovani	Head of Hotels, Tourism, and Leisure
Paul Siviour	Chief Operating Officer
Symon Simmons	Chief Financial Officer, Company Secretary

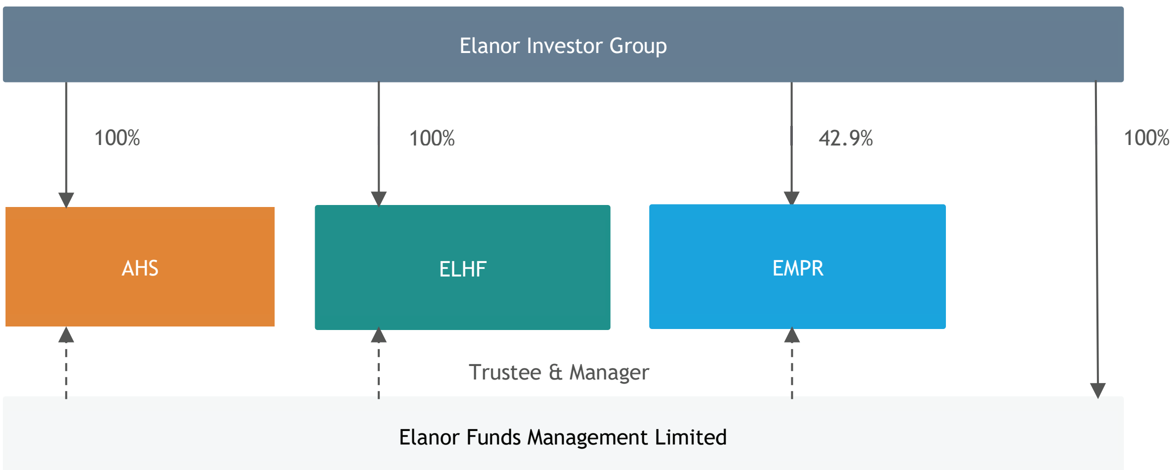
Source: Elanor Investment Group's reviewed financial statements for 1H21, ASX Announcements

3.3. Pre-transaction structure

ENN currently owns 42.9% interest in EMPR, which owns and operates 10 metropolitan and regional hotels across Australia. ENN also formed and currently owns 100% of the interest in ELHF which owns and operates 3 luxury hotels in Australia. Alongside this, ENN are also 100% owners of the interests in Albany Hotel Syndicate which owns the Albany Hotel.

A chart summarising the relationships between the entities in the Proposed Transaction is provided below.

Figure 2: Pre-transaction structure



Source: Management information

3.4. Elanor Metro and Prime Regional Hotel Fund

The Elanor Metro and Prime Regional Hotel Fund (**EMPR**) was established in October 2017 as an unregistered investment venture, and its main goal is to acquire hotels will strong yields, and high quality expansion potential. EMPR is a stapled security, which comprises of two head trusts and two holding companies. The two head trusts are EMPR I and EMPR II, and the two holding companies are EMPR Management Pty Limited and EMPR II Management Pty Limited. EMPR currently owns and operates 10 metropolitan and regional hotels. The value of the real estate assets held by EMPR as at 30 June 2021 was $171m.

The 10 hotels in the EMPR portfolio are:

- Barossa Weintal Resort, SA
- Byron Bay Hotel & Apartments, NSW
- Clare Country Club, SA
- ibis Styles Canberra, ACT
- ibis Styles Canberra Eaglehawk, ACT
- ibis Styles Tall Trees Canberra, ACT
- ibis Styles Port Macquarie, NSW
- Mantra Pavilion Wagga Wagga, NSW
- Mantra Wollongong, NSW; and
- Parklands Resort Mudgee, NSW

3.4.1. EMPR Historical Statements of Profit or Loss

The Historical Statements of Profit or Loss for EMPR for the financial years ending 30 June 2019 (**FY19**) and 30 June 2020 (**FY20**), as per the audited financial statements, and the Management accounts for the financial year ending 30 June 2021 (**FY21**) are presented below.

Table 4: EMPR's Historical Statement of Profit or Loss

$'000	FY19	FY20	FY21
Revenue			
Hotel operating income	39,589	35,012	28,099
Other income	772	694	853
Net unrealised gain/ (loss) on revaluation of property, plant & equipment	1,995	1,125	1,201
Total revenue and other income	**42,356**	**36,831**	**30,153**
Expenses			
Hotel operating costs	26,594	24,148	16,070
Rates, taxes and other outgoings	1,684	2,006	2,359
Depreciation	7,558	8,669	7,070
Borrowing costs	3,055	3,314	3,117
Acquisition costs	2,691	295	-
Unrealised losses	1,070	-	-
Management fees	1,453	2,696	1,665
Other expenses	945	917	1,137
Total expenses	**45,050**	**42,045**	**31,418**
Net loss before income tax expense	**(2,694)**	**(5,214)**	**(1,265)**
Income tax benefit / (expense)	815	1,689	(384)
Statutory net loss for the period	**(1,879)**	**(3,525)**	**(1,649)**
Distributable income adjustments			
Net unrealised gain/ (loss) on revaluation of property, plant & equipment	(1,995)	(1,125)	(1,201)
Depreciation	7,558	8,669	7,070
Unrealised losses	1,070	-	-
Acquisition costs	2,691	295	-
Total distributable income adjustments	**9,324**	**7,839**	**5,869**
Distributable income for the period	**7,445**	**4,314**	**4,220**

Source: EMPR's audited financial statements for FY19 and FY20, and Management accounts for FY21

The COVID-19 induced domestic lockdowns have brought challenges within the accommodation sector, causing occupancy levels and average daily rates (**ADR**) to decline significantly during COVID-19 outbreaks for most of EMPR's portfolio. Domestic intrastate tourism however increased in the period due substantially to international borders remaining closed. Several hotels, such as Byron Bay Hotels & Apartments, were able to benefit from a lack of international travel by increasing their occupancy rates and ADR.

The cost bases of all properties were restructured to support improved hotel profitability as market demand returns to normal. Further, Government support, such as the JobKeeper scheme and land tax deferrals, reduced the impact of decreased demand.

3.4.2. EMPR Historical Statements of Financial Position

The Historical Statements of Financial Position for EMPR as at 30 June 2019, 30 June 2020 and 30 June 2021 are presented below.

Table 5: EMPR's Historical Statements of Financial Position

$'000	FY19	FY20	FY21
Assets			
Cash and cash equivalents	4,401	1,511	1,607
Property, plant and equipment	192,300	152,750	170,900
Other assets	6,007	6,305	6,907
Total assets	**202,708**	**160,566**	**179,414**
Liabilities			
Interest bearing liabilities	82,851	70,176	67,390
Other liabilities	8,975	5,312	4,827
Distribution payable	1,180	-	5,123
Total liabilities	**93,006**	**75,488**	**77,339**
Net assets	**109,702**	**85,078**	**102,075**
Equity			
Unitholder equity	98,527	79,576	79,576
Accumulated losses	(4,092)	(11,659)	(17,995)
Reserves	15,266	17,161	40,494
Total equity	**109,702**	**85,078**	**102,075**

Source: EMPR's audited financial statements for FY19 and FY20, and Management accounts for FY21.

In FY20 the reduction in property assets is mainly attributable to the sale of Peppers Cradle Mountain Lodge to ELHF, partially offset by the acquisition of Barossa Weintal Resort and Clare Country Club. Excluding these transactions, the portfolio value increased marginally despite the onset of COVID-19.

3.5. Elanor Luxury Hotel Fund

The Elanor Luxury Hotel Fund (**ELHF**) owns and operates 3 luxury hotels in Australia. Similar to EMPR, ELHF is an unregistered wholesale managed investment scheme and is a stapled security consisting of a head trust and a holding company. ELHF's hotel portfolio reflects an investment strategy to acquire hotels with strong trading fundamentals, located in prime regional areas. ELHF was established in mid-2019 by ENN, and was set to undergo a capital raising to wholesale and sophisticated investors in mid-2020. However, due to COVID-19 ENN determined to defer the capital raising and ENN remains the sole securityholder.

The 3 hotels owned and operated by ELHF are:

- Adabco Boutique Hotel Adelaide, SA;
- Mayfair Hotel Adelaide, SA; and
- Peppers Cradle Mountain Lodge, TAS.

3.5.1. Historical Statement of Profit or Loss

The Historical Statement of Profit or Loss for ELHF for FY20 and FY21, is presented in the following table.

Table 6: ELHF's Historical Statement of Profit or Loss

$'000	FY20	FY21
Revenue		
Hotel operating income	9,767	28,053
Other income	110	-
Net unrealised gain/(loss) on revaluation of property, plant & equipment	(4,740)	3,993
Total revenue and other income	**5,137**	**32,046**
Expenses		
Hotel operating costs	7,810	19,706
Rates, taxes and other outgoings	477	1,132
Depreciation	2,106	3,819
Borrowing costs	2,490	5,356
Management fees	867	1,734
Other expenses	171	374
Total expenses	**13,921**	**32,121**
Net loss before income tax expense	**(8,784)**	**(75)**
Income tax benefit / (expense)	1,249	(452)
Statutory net loss for the period	**(7,535)**	**(527)**
Distributable income adjustments		
Net unrealised gain/ (loss) on revaluation of property, plant & equipment	4,740	(3,993)
Depreciation	2,106	3,819
Total distributable income adjustments	**6,846**	**(174)**
Distributable income for the period	**(689)**	**(701)**

Source: ELHF's audited financial statements for FY20 and Management accounts for FY21.

ELHF's three hotels were affected by the closure of state borders due to COVID-19 outbreaks. Occupancy recovered throughout the 2020 and 2021 financial years but was negatively impacted again towards the end of the 2021 financial year due to further COVID-19 outbreaks. Similar cost saving initiatives used within EMPR's portfolio were implemented by Management over ELHF's portfolio to support profitability.

3.5.2. Historical Statement of Financial Position

The Historical Statement of Financial Position for ELHF as at 30 June 2020 and 30 June 2021 are presented below.

Table 7: ELHF's Historical Statement of Financial Position

$'000	FY20	FY21
Assets		
Cash and cash equivalents	4,764	3,997
Property, plant and equipment	162,000	172,000
Other assets	2,878	3,782
Total assets	**169,642**	**179,779**
Liabilities		
Interest bearing liabilities	106,563	107,800
Other liabilities	6,565	6,022
Distribution payable	0	0
Total liabilities	**113,128**	**113,822**
Net assets	**56,514**	**65,957**
Equity		
Unitholder equity	65,080	65,080
Accumulated losses	(7,535)	(8,803)
Reserves	(1,031)	9,680
Total equity	**56,514**	**65,957**

Source: ELHF's audited financial statements for FY20, and Management accounts for FY21.

ELHF was established in April 2019 with a portfolio of 3 independently run luxury hotels. ELHF acquired the Mayfair Hotel Adelaide and the Adabco Boutique Hotel in FY19, and acquired the Peppers Cradle Mountain Lodge from EMPR in FY20. Overall, the ELHF portfolio of hotels has increased in value following the reopening of Peppers Cradle Mountain Lodge on 12 June 2020 after 3 months of closure for COVID-19. This increase in key metrics, occupancy rate and ADR increased the valuation of the property.

3.6. Albany Hotel Syndicate

The Albany Hotel Syndicate (**AHS**) was formed in 2014. Its sole property asset is the ibis Styles Albany. The ibis Styles Albany is a 50 room hotel with facilities including a 24-hour reception and office, guest laundry, car park and restaurant. The property has a size area of 7,917sqm, and is located in Albany which is 414 km south-east of Perth. ENN holds 100% of the syndicate.

3.6.1. Historical Statements of Profit or Loss

The Historical Statements of Profit or Loss for AHS for the financial years ending FY19, FY20 and FY21 as per the Management accounts, are presented below.

Table 8: AHS's Historical Statement of Profit or Loss

$'000	FY19	FY20	FY21
Revenue			
Hotel operating income	1,834	1,601	2,139
Other income	1	3	-
Net unrealised gain/ (loss) on revaluation of property, plant & equipment	(42)	71	(2,010)
Total revenue and other income	**1,793**	**1,676**	**129**
Expenses			
Hotel operating costs	1,626	1,353	1,392
Rates, taxes and other outgoings	121	143	148
Depreciation	109	132	123
Borrowing costs	-	-	-
Management fees	68	68	68
Other expenses	43	45	140
Total expenses	**1,967**	**1,740**	**1,872**
Net loss before income tax expense	**(174)**	**(64)**	**(1,743)**
Income tax benefit / (expense)	60	61	9
Statutory net loss for the period	**(114)**	**(4)**	**(1,734)**
Distributable income adjustments			
Net unrealised gain/ (loss) on revaluation of property, plant & equipment	42	(71)	2,010
Depreciation	109	132	123
Total distributable income adjustments	**151**	**61**	**2,133**
Distributable income for the period	**37**	**57**	**399**

Source: AHS's Management accounts for FY19, FY20, and FY21.

ibis Styles Albany was able to increase its occupancy despite limitations on international travel, due to continued intrastate travel and the geographic isolation of the hotel from several COVID-19 outbreaks on the east coast of Australia. This was evidenced by revenue growth of 33.6% during the FY21. This was combined with an increase in ADR through FY20 and FY21 to support revenue growth.

3.6.2. Historical Statements of Financial Position

The Historical Statement of Financial Position for AHS as at 30 June 2019, 30 June 2020 and 30 June 2021 are presented in the following table.

Table 9: AHS's Historical Statement of Financial Position

$'000	FY19	FY20	FY21
Assets			
Cash and cash equivalents	88	222	165
Property, plant and equipment	5,250	5,250	3,200
Other assets	640	645	928
Total assets	**5,978**	**6,117**	**4,293**
Liabilities			
Interest bearing liabilities	-	-	-
Other liabilities	1,867	2,009	1,914
Distribution payable	-	-	-
Total liabilities	**1,867**	**2,009**	**1,914**
Net assets	**4,111**	**4,108**	**2,379**
Equity			
Unitholder equity	5,450	5,450	5,450
Accumulated losses	(1,338)	(1,342)	(3,071)
Reserves	-	-	-
Total equity	**4,112**	**4,108**	**2,379**

Source: AHS's Management accounts for FY19, FY20, and FY21.

AHS had a significant decrease ($2.05m) in the valuation of the ibis Styles Albany. The basis for Opteon's devaluation of the ibis Styles Albany was the reduction in buyers and sellers within the market stemming from uncertainty within the accommodation sector. Opteon concluded that the ibis Styles Albany valuation lay within a reasonable range for hotels and motels with comparable land size, room numbers, and revenue per room.

4. PROFILE OF EHAF

4.1. Overview

If the reorganisation is approved, ENN will establish a new investment vehicle, Elanor Hotel Accommodation Fund (**EHAF**). EHAF will bring together the 14 aforementioned Australian hotels owned by EMPR, ELHF and the AHS into one entity. EHAF will be an unlisted fund that invests in a portfolio of hotel accommodation assets in Australia, managed by EFML.

EHAF will be a stapled security comprising of two main companies, Elanor Hotel Accommodation Limited (EHAF Limited) Elanor Hotel Accommodation II Limited (EHAF Limited II); and 3 head trusts, named Elanor Hotel Accommodation Fund I (**EHAF I**), Elanor hotel Accommodation Fund II (**EHAF II**), and Elanor Hotel Accommodation Fund III (**EHAF III**).

EHAF I will include 6 hotels:

- Barossa Weintal;
- Byron Bay;
- Clare Country Club;
- Ibis Styles Canberra Eaglehawk;
- Ibis Styles Canberra; and
- Ibis Styles Albany.

EHAF II will include 5 hotels:

- Parklands Resort Mudgee;
- ibis Styles Port Macquarie;
- ibis Styles Tall Trees Canberra;
- Mantra Pavilion Wagga Wagga; and
- Mantra Wollongong.

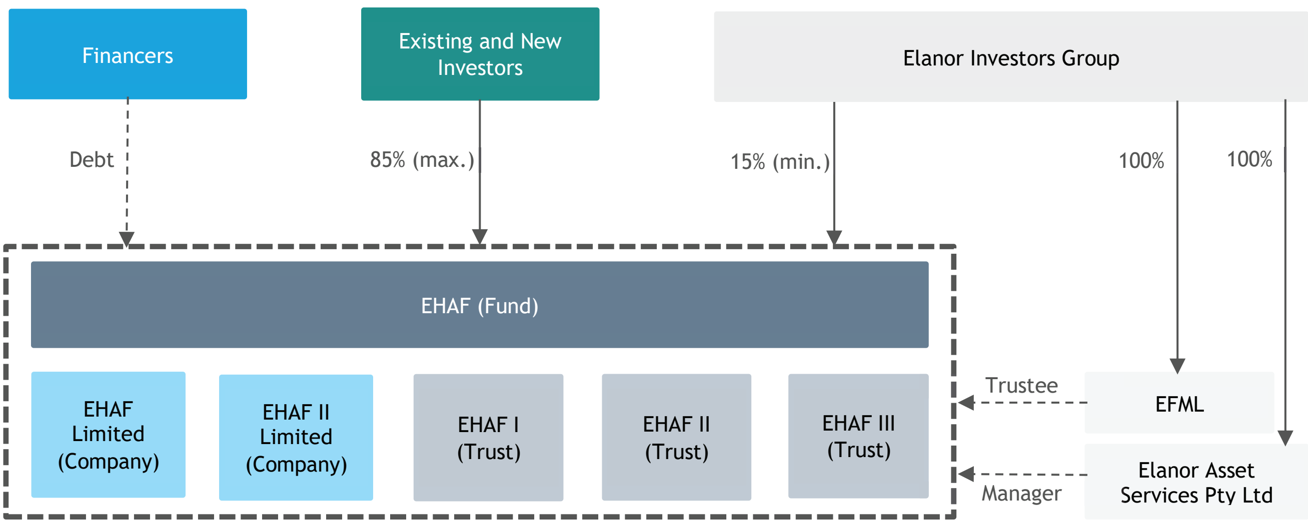
EHAF III will include 3 hotels:

- Adabco Boutique Hotel;
- Mayfair Hotel; and
- Peppers Cradle Mountain Lodge.

4.2. Post-transaction structure

A chart summarising the entity relationships and ownership structure post-transaction is shown below:

Figure 3: Post-transaction structure



Source: Management information

Securities in EHAF have a guaranteed 8% p.a. distribution from the allotment date until 30 June 2022. Any shortfall in distributions will be paid by ENN.

4.3. Capital Raising

EHAF plans to fund the acquisition of the interests in ELHF and AHS, and restructure the debt of the regional hotels, through a capital raising.

EHAF seeks to raise between $68.6m and $92.7m through the issue of securities priced at $1.00 per unit. As at August 2021, EHAF has received commitments of circa $75m.

5. OVERVIEW OF THE NEGOTIATION PROCESS

In order to assess whether the Proposed Transaction has been conducted on arm's length terms in accordance with RG 76, we have considered ENN's approach to the transaction, including the protocols followed to ensure that conflicts of interest were appropriately managed in negotiating and structuring the transaction.

The following summary of ENN's management of the conflict of interest and determination of the Cash Consideration is based on discussions with and information provided by Management.

5.1. Management of the conflict of interest

ENN and EFML have a Conflicts of Interests Policy which governs the operations of its business activities as a Responsible Entity of registered schemes and as a trustee of wholesale funds. To manage the Proposed Transaction, ENN has established two sub-committees of its Board (one for EMPR, the other representing ENN), each composed at least one independent non-executive director.

One sub-committee on the ENN side has negotiated and settled the terms of sale of the ELHF and AHS assets, to act in the best interests of EIL and ELHF security holders on the sell-side of the Proposed Transaction. A second sub-committee on the EMPR side has negotiated and settled the term of the acquisition of ELHF and AHS, to act in the best interests of EMPR unitholders on the buy-side.

Each sub-committee has been supported by independent legal and financial advisors where required. BDOCF was engaged by Directors of EIL and EFML on behalf of the ENN securityholders.

5.2. Determination of price

The price to acquire the 3 hotels from ELHF and 1 hotel from AHS as noted in the EHAF Information Memorandum was to be the lessor of:

- $179.35m; and
- The sum of the independent valuations as at June 2021.

Three independent property valuers including CBRE Valuations Pty Limited (**CBRE**), Knight Frank Valuation & Advisory (**Knight Frank**) and Opteon Property Group Pty Ltd (**Opteon**) were engaged and instructed by ENN's Hotels Tourism & Leisure team on behalf of EFML for mortgage and financial reporting purposes, independent of the Proposed Transaction.

The total acquisition price for the acquired hotels as determined with reference to independent property valuations is $175.2m. The property valuations supporting this price are summarised in the following table.

Table 10: Determination of acquisition price

Hotel	Valuer	Valuation Date	ELHF $m	AHS $m	Total $m
Adabco Boutique Hotel Adelaide, SA;	CBRE	30 June 2021	13.0		13.0
Mayfair Hotel Adelaide, SA; and	CBRE	30 June 2021	86.0		86.0
Peppers Cradle Mountain Lodge, TAS.	Knight Frank	1 July 2021	73.0		73.0
Ibis Styles Albany, WA	Opteon	28 June 2021		3.2	3.2
Acquisition price			**172.0**	**3.2**	**175.2**

Source: Management information

The sub-committees reviewed the draft independent valuations of the hotels and no changes were made to the valuations as a result of their review.

6. FAIRNESS ASSESSMENT AND VALUATION METHODOLOGY

6.1. Fairness assessment overview

The Proposed Transaction will be fair if the FMV of the Transaction Consideration is equal to or greater than the FMV of the interests pre-transaction.

Accordingly, we have undertaken an assessment of:

- the FMV of ENN securityholders interests in ELHF, AHS and EMPR pre-transaction; and
- the FMV of the Transaction Consideration, including cash consideration, EHAF securities, transaction fees receivable and additional ongoing management fees, net of the Distribution Guarantee.

The valuation methods commonly used for the above analyses are considered below. For the purposes of our opinion, the term FMV is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

6.2. Valuation methodologies

Details of common methodologies for valuing businesses and assets are included at Appendix 3. The principal methodologies which can be used are as follows:

- Discounted cash flow (**DCF**)
- Capitalisation of earnings (**COE**)
- Net asset value (**NAV**)
- Net tangible assets on a realisation basis (**NRV**)
- Quoted market price basis (**QMP**)
- Recent capital raise.

Set out below is a discussion around the valuation methods we consider appropriate for the purposes of undertaking our valuation assessment of the ENN securities before and EHAF securities after the Proposed Transaction.

6.3. Selected valuation methods

In accordance with RG 111.57, we have considered the fair market value of the ENN securityholder interests in ELHF, AHS and EMPR and the Transaction Consideration on the basis of "a knowledgeable and willing, but not anxious, seller acting at arm's length". This is a separate test to the consideration of relevant factors and circumstances when determining whether the transaction is on 'arm's length terms' for the purposes of s210 and RG 76.

We consider the most appropriate valuation methodologies to be as follows:

Table 11: Selection of valuation methodology

Methodology	Appropriate	Explanation
NAV	✓	The NAV approach considers the valuation of the net assets on a going concern basis and is usually appropriate where the majority of assets consist of cash or passive investments, or where the business is under performing. All assets and liabilities of the entities are valued at market value under this method, and the combined market value forms the basis for the valuation of the ENN securities. The relevant net assets of EMPR, ELHF, AHS and EHAF have been valued using the market valuations undertaken at or around 30 June 2021.
QMP	X	We have not utilised the QMP methodology as the value of the relevant portfolio of assets to this transaction cannot be readily separated from the listed share price of ENN on the ASX.
DCF	X	The DCF approach is appropriate where the business' cash flows are expected to fluctuate and where earnings are capable of being forecast for a reasonable period (preferably 5 to 10 year) with reasonable accuracy. We have not applied the DCF methodology to value the EMPR, ELHF, AHS and EHAF. However, we note the independent property valuers have utilised the DCF methodology in their valuations.
COE	X	The Capitalisation of Earnings method is most commonly applicable to profitable businesses with steady growth history and forecasts. We have not adopted the COE approach, however we note that the property valuers have adopted similar earnings based methodologies in their valuations.

6.4. Independent property valuations

Recent independent market valuations have been undertaken for all of the hotels of EMPR, ELHF and AHS. The assets held by ELHF and AHS have been valued by CBRE, Knight Frank and Opteon. Management have based the Transaction Consideration for the hotels from ELHF and AHS on the value determined in these external property valuations.

As ENN's interest in the properties held by EMPR does not significantly change as a result of the Proposed Transaction, we have valued these assets based on the independent valuations commissioned by ENN.

6.4.1. Definition of value

The basis of all property valuations was 'Market Value – As Is'. Market value has been defined by in the valuation reports as 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 partiers had each acted knowledgably, prudently and without compulsion.

This is consistent with our definition of FMV.

Valuations were conducted their basis of assessment on the market value of unencumbered freehold or leasehold on a going concern basis.

6.4.2. Valuation methodologies applied

The independent property valuations undertaken by the property valuers used a combination of income-based and market-based methods to assess the values of the properties within the EHAF portfolio.

All of the valuers made assumptions regarding the cash flow projections and discount rates used. These assumptions varied slightly between the properties, however all property valuers stated that their valuations were conducted based on the assumption that COVID-19 outbreaks were controlled effectively, lockdowns ended on time, and the vaccine rollout was successfully implemented.

Capitalisation rates and discount rates used to establish property value were found by analysing the yields of similar properties, trading history of the properties, locations, market volatility with respect to COVID-19, underlying land value, and other prevailing economic and property market conditions. All valuers made extensive assumptions about the volatility of the market due to the COVID-19 pandemic, and assumed that the property market will respond with conservative valuations.

- **CBRE valuations**

  CBRE conducted the valuations of Mayfair Hotel and Adabco Boutique Hotel Adelaide.

  A 5-year forecasted capitalisation of earnings and 10-year DCF model were used and the average of these results provided the adopted market value. The DCF results were sensitized to account for discrepancies in various assumptions. In assuming future cash flows, CBRE analysed market trends amongst corporate and recreational travellers as well as past occupancy rates and ADRs. CBRE also used market valuation methods, specifically, analysing historical selling prices of the investigated hotels and conducting comparisons with similar properties to determine changes in market value.

- **Knight Frank valuation**

  Knight Frank conducted the valuation of Peppers Cradle Mountain Lodge.

  A 5-year forecasted capitalisation of earnings, stabilised earnings and DCF model were used and the average of these three results provided the adopted market value. The DCF results were sensitized to account for discrepancies in various assumptions.

- **Opteon valuation**

  Opteon, who conducted valuations of ibis Styles Albany, conducted their property valuation based on the capitalisation of earnings method as well as comparing the property to similar sites and their market values. Opteon capitalised the net profits of the property to establish the price that a prospective purchaser will be willing to pay based on the return required for the investment of capital.

6.5. Third Party Independent Valuer

For the purposes of our opinion we engaged an independent property consultancy and valuation firm (**Third Party Independent Valuer**) to review the external valuations relied upon by the board sub-committees and Directors of EIL and EFML.

As the ENN securityholder interests in ELHF and AHS will change substantially from 100% to between 36.4% and 49.0%, we have engaged the Third Party Independent Valuer to perform peer reviews of the following valuations:

- Cradle Mountain Lodge, ELHF, performed by Knight Frank as at 1 July 2021;
- Adabco Adelaide, ELHF, performed by CBRE as at 30 June 2021;
- Mayfair Hotel, ELHF, performed by CBRE as at 30 June 2021; and
- Ibis Styles Albany, AHS, performed by Opteon as at 28 June 2021.

We have not engaged a peer review of the valuations of the 10 hotels held by EMPR, as there will not be a substantial change in the ownership interest of ENN securityholders in the hotels of EMPR as a result of the Proposed Transaction. The ENN security holder interest in the hotels of EMPR will change from 42.9% pre-transaction to between 36.4% and 49.0% post-transaction. We have reviewed the independent valuations for the 10 properties in the EMPR portfolio and have adopted the values disclosed in EMPR's financial reports.

We consider the Third Party Independent Valuer to have the appropriate skills and knowledge to assist BDOCF with the review of the ELHF and AHS hotel valuations.

A requirement of our engagement of the Third Party Independent Valuer was that their name remain undisclosed.

Our valuation of the FMV of the interests held by ENN pre-transaction, and the Transaction Consideration is based upon:

a. Review of the full valuation reports prepared by CBRE, Knight Frank and Opteon regarding the hotels of ELHF and AHS;

b. Review of the reports prepared by the Third Party Independent Valuer;

c. Discussions with the Third Party Independent Valuer; and

d. Discussions with Management.

6.6. Other valuation considerations

6.6.1. Future events

The business of ELHF, AHS, and EMPR assumed in this valuation, is that which exists at the current date. Other growth potential, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

6.6.2. Valuation in accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

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7. VALUATION OF INTERESTS PRE-TRANSACTION

Our valuation assessment of the interest held by ENN securityholders in the assets of EMPR, ELHF, and AHS pre-transaction is based upon the NAV method. This section does not reflect the transaction, rather outlines the current alternative available to Securityholders to realise value from ENN under the current structure as well as enable a comparison to the likely value to Securityholders as a result of the Proposed Transaction.

7.1. Overview of securities pre-transaction

ENN plans to combine ELHF with EMPR, transfer ENN's interests in AHS to EMPR and collectively reorganise these assets into EHAF. ENN currently holds a 42.9% interest in EMPR, 100% of ELHF, and 100% of AHS.

7.2. Valuation of 42.9% interest in EMPR

We have assessed the FMV of ENN securityholder interests in EMPR using the NAV methodology.

The NAV valuation has been performed using the statement of financial position provided by Management as at 30 June 2021, and is summarised in the following table.

Table 12: EMPR NAV

$'000	Note	Assessed property value as at 30 June 2021	FMV as at 30 June 2021
Assets			
Cash and cash equivalents			1,607
Property, plant and equipment			170,900
Barossa Weintal Resort	1	*7,000*	
Byron Bay Hotel & Apartments	2	*33,000*	
Clare Country Club	3	*10,000*	
ibis Styles Canberra	4	*32,000*	
ibis Styles Canberra Eaglehawk	5	*21,000*	
ibis Styles Tall Trees Canberra	6	*13,900*	
ibis Styles Port Macquarie	7	*15,000*	
Mantra Pavilion Wagga Wagga	8	*7,500*	
Mantra Wollongong	9	*13,500*	
Parklands Resort Mudgee	10	*18,000*	
Other assets			6,907
Total assets			**179,414**
Liabilities			
Interest bearing liabilities			67,390
Other liabilities			4,827
Distribution payable			5,123
Total liabilities			**77,339**
Net assets			**102,075**
Equity			
Unitholder equity			79,576
Accumulated losses			(17,995)
Reserves			40,494
Total equity			**102,075**

Source: EMPR's unaudited Management accounts for FY21.

We have not engaged the Third Party Independent Valuer to review EMPR's hotel property valuations as the ENN securityholder interests in these hotels will not materially change as a result of the Proposed Transaction. Nevertheless, we have reviewed the independent valuation reports on which EMPR's financial position is based. Brief commentary on the hotels and latest valuations is provided in the following notes.

Notes:

1	**Barossa Weintal Resort, 231 Murray Street, Tanunda, SA 5352, valued as at 30 June 2021** During FY20 Barossa Weintal Resort suffered significantly from the COVID-19 outbreak as many interstate borders were closed. Further, the Barossa Valley was at the centre of a COVID-19 outbreak when a group of international tourists tested positive for the disease. In FY21, Barossa Weintal Resort benefitted greatly from the ban on international travel as domestic tourism grew and the Barossa Valley is traditionally a strong tourism region with regular patronage from domestic guests. This increased demand and drove up ADR and occupancy rates at the property.

2	**Byron Bay Hotel & Apartments, 20-22 Fletcher Street, Byron Bay NSW 2481, valued as at 30 June 2021** Recent increases in Byron Bay Hotels and Apartments occupancy rates stems from its situation in one of Australia's most popular tourist and investment localities. Moreover, the property has diversified revenue streams from hotel operations and retail operations. There is also minimal management overheads due to providing solely rooms accommodation. The property performed strongly during the COVID-19 pandemic as the closure of international borders generated an increase in domestic guests who would have otherwise been travelling internationally. Close proximity to both the Ballina Byron Gateway Airport and the Coolangatta Airport afford interstate travellers the ability to visit the region with ease.
3	**Clare Country Club, White Hut Road, Clare SA 5433, valued as at 30 June 2021** The Clare Country Club benefits from its location within the Clare Valley which combines strong tourist demand with low competition within the immediate locality. The hotel has many guest offerings which provide alternative revenue streams to simple room revenue. These include restaurants, bars, conference facilities, a spa, and gym facility. Further, recent capital expenditures on the bathrooms and air conditioning units have lowered cash flows over the past years but upon completion aim to raise chargeable ADR which improve valuations. However, the property is susceptible to sporadic interstate border closures and future occupancy rates will be determinant upon Australia's control of future COVID-19 outbreaks.
4	**Ibis Styles Canberra, 203 Goyder Street, Narrabundah, ACT 2604, valued as at 29 June 2021** The ibis Styles Canberra was evaluated to have a high degree of uncertainty surrounding revenue and valuations. The future regulatory policies and COVID-19 induced restrictions coupled with wider market uncertainty makes accommodation hotels a particularly high risk and volatile asset class at present. Occupancy rates are projected to fall between 55% and 71%. Further, ADR are also projected to underperform the market by 27% to 31% averaging between $120.00 and $132.00. As such, future cash flows will be sluggish to recover from COVID-19 domestic lockdowns.
5	**Ibis Styles Canberra Eaglehawk, 1222 Federal Highway, Sutton, NSW 2620, valued as at 30 June 2021** The impact of COVID-19 on the trading conditions of the hotel between March and September 2020 is observable and it is probable that these adverse impacts will be felt throughout the remainder of 2021. However, it is forecasted that returns to previous trend levels will be gradual as demand responds to the post-pandemic environment. Reasonable market-based valuations will be hard to ascertain due to these factors compounded with accommodation market illiquidity. Market-based evidence has shown that year-to-date May 2021, Canberra hotels occupancy rates have increased by 16.4% and ADR have increased by 7.0%.
6	**Ibis Styles Canberra Tall Trees, 21 Stephen Street, Ainslie, ACT 2602, valued as at 29 June 2021** Recent valuations were severely affected by the COVID-19 outbreak as hotel trading conditions dropped as a result of softer tourism and the broader economic market. The ibis Styles Canberra Tall Trees has benefitted from the marketing, advertising, and reservations support through the management agreement with Accor. The experienced management assisted with restructuring operational expenses and therefore assisted with stabilising cash flows. It is predicted that over 2022 to 2026, the property will underperform the competitive market in terms of both occupancy rates and ADR.
7	**Ibis Styles Port Macquarie, 1 Stewart Street, Port Macquarie, NSW 2444, as at 30 June 2021** ibis Styles Port Macquarie increased in value between FY20 and FY21 due to factors such as its prominent location within Port Macquarie, franchise agreement to a recognised national operator, increased demand in domestic tourism driving ADR and occupancy rates, and the underlying land value. However, the hotel requires capital expenditure in the form of renovations in some common property areas and some room bathrooms leading to decreased cash flows in the future.
8	**Mantra Pavilion Hotel, 22-30 Kincaid Street, Wagga Wagga, NSW 2650, as at 30 June 2021** The Mantra Pavilion Hotel increased in value from management projections due to several factors. The property benefits from being managed by a recognised national operator in Mantra and is in a strong location close to the city centre. Moreover, the property requires no significant capital expenditure in the short term and the property's ADR and occupancy rates are traditionally above market average.

9	**Mantra Wollongong, 6-10 Gladstone Avenue, Wollongong, NSW 2500, as at 30 June 2021** While having a strong location within the Wollongong CBD and no predicted capital expenditure requirements, the Mantra Wollongong was found to decrease in value from management expectations for several reasons. The marketability and management of the building are significantly impacted as not all of the apartments within the parent building are owned. Moreover, the building has no meeting room space or food and beverage services, limiting future revenue streams. The Mantra Wollongong has typically exhibited strong demand from corporate travellers, however the COVID-19 pandemic caused many corporate traveller's to re-evaluate the necessity of their travel and drive down the occupancy rates of this property.
10	**Parklands Resort Mudgee, 121 Ulan Road, Putta Bucca, NSW 2850, as at 30 June 2021** Parklands Resort Mudgee benefitted greatly from increased domestic tourism through mid- to late-FY20. The popularity of the regional tourism offering increased with international borders closed, however current forecasts are subject to increased volatility than historically experienced due to sporadic interstate border closures. Moreover, management suffers from increased competition due to increase in options stemming from independent accommodation providers through platforms such as Airbnb. These factors contributed to the decrease in value between 30 June 2021 and the management reports dated 31 December 2020.

As the financial position as at 30 June 2021 includes the current valuations of the owner occupied hotel properties, and the remaining assets and liabilities are mostly monetary, we consider the current NAV to be reliable indicator of the FMV of 100% interest in EMPR.

The value of ENN securityholders interest in EMPR, pre-transaction is assessed to be $43.8m, as summarised in the following table.

Table 13: FMV of 42.9% interest in EMPR

$m	30 June 2021
FMV of 100% interest in EMPR	102.1
FMV of 42.9% interest in EMPR	43.8

Source: BDOCF analysis

7.3. Valuation of 100% interest in ELHF

We have assessed the FMV of ENN securityholder interests in ELHF using the NAV methodology.

The NAV valuation has been performed using the statement of financial position provided by Management as at 30 June 2021, and is summarised in the following table.

Table 14: ELHF NAV

$'000	Note	Assessed property value as at 30 June 2021	FMV as at 30 June 2021
Assets			
Cash and cash equivalents			3,997
Property, plant and equipment			172,000
Adabco Boutique Hotel Adelaide	1	*13,000*	
Mayfair Hotel Adelaide	2	*86,000*	
Peppers Cradle Mountain Lodge	3	*73,000*	
Other assets			3,782
Total assets			**179,779**
Liabilities			
Interest bearing liabilities			107,800
Other liabilities			6,022
Distribution payable			0
Total liabilities			**113,822**
Net assets			**65,957**
Equity			
Unitholder equity			65,080
Accumulated losses			(8,803)
Reserves			9,680
Total equity			**65,957**

Source: ELHF's unaudited Management accounts for FY21.

We have engaged the Third Party Independent Valuer to review EMPR's hotel property valuations. Brief commentary on the current hotel valuations and peer review is provided in the following notes.

Notes:

1	**Adabco Boutique Hotel Adelaide, valued by CBRE as at 30 June 2021** The Adabco Boutique Hotel increased in value by $0.5m between 31 December 2020 and 30 June 2021. CBRE supported this valuation by emphasising the properties excellent location on the fringe of the Adelaide CBD and its freehold tenure. Moreover, the property has the potential to increase its food and beverage offering, providing potential expansions in future revenue streams. Valuation projections were held back due to concerns regarding the handling of future COVID-19 outbreaks and reduction in corporate travellers. These threats were realised between July and December 2020 when the hotel was closed as a result of the impact of COVID-19 on the hotel industry. An independent peer review was undertaken regarding this property valuation by the Third Party Independent Valuer. The peer review highlighted that this valuation was undertaken on a desktop basis only without inspection. The Third Party Independent Valuer concluded that CBRE's valuation was properly instructed; that their approach was proper and professional, complying with API industry standards; and that the assumptions used were reasonable in determining the FMV of Adabco Boutique Hotel Adelaide.

2	**Mayfair Hotel, 45 King William Street, Adelaide, SA, valued by CBRE as at 30 June 2021** Mayfair Hotel increased in value due to the high standard of the property's rooms combined with the prospect of increased room occupancy following South Australia's handling of the COVID-19 pandemic. CBRE noted the unprecedented trading and investment uncertainty and the risk associated with hotels that generate large portions of income from tourism. However, the quality of the property, vacancy rates, position of the property within the Adelaide CBD, and freehold tenure prevented decreases in value from CBRE. An independent peer review was undertaken regarding this property valuation by the Third Party Independent Valuer. The peer review highlighted that this valuation was undertaken on a desktop basis only without inspection, and commented on undistributed expenses and capital requirements. The Third Party Independent Valuer concluded that CBRE's valuation was properly instructed; that their approach was proper and professional, complying with API industry standards; and that the assumptions used were reasonable in determining the FMV of Mayfair Hotel Adelaide.
3	**Peppers Cradle Mountain Lodge, 4038 Cradle Mountain Road, Cradle Mountain, TAS 7306, valued by Knight Frank as at 1 July 2021** Peppers Cradle Mountain Lodge was sold to ELHF by EMPR in FY19 and has appreciated in value through FY20 and FY21. Tasmania is recognised as a desirable international and domestic tourist destination and demand is bolstered by increased air capacity to the state combined with the rapidly expanding eco-tourism market. The property is well positioned within the second highest visited national park in Tasmania. However, the property requires attention and significant room renovation. A capital expenditure of $50,000 per key average across the 81 older style rooms was adopted by Knight Frank during the valuation. Revenues are not expected to be substantially affected, with projected room occupancies from 75% to 79% and ADR of $400 to $440 over the period. An independent peer review was undertaken regarding this property valuation by the Third Party Independent Valuer. The Third Party Independent Valuer concluded that Knight Frank's valuation was properly instructed; that their approach was proper and professional, complying with API industry standards; and that the assumptions used were reasonable in determining the FMV of Peppers Cradle Mountain Lodge.

As the financial position as at 30 June 2021 includes the current valuations of the owner occupied hotel properties, and the remaining assets and liabilities are mostly monetary, we consider the current NAV to be reliable indicator of the FMV of 100% interest in ELHF.

The value of ENN securityholders interest in ELHF, pre-transaction is assessed to be $66.0m, as summarised in the following table.

Table 15: FMV of 100% interest in ELHF

$m	30 June 2021
FMV of 100% interest in ELHF	66.0

Source: BDOCF analysis

7.4. Valuation of 100% interest in AHS

We have assessed the FMV of ENN securityholder interests in AHS using the NAV methodology.

The NAV valuation has been performed using the statement of financial position provided by Management as at 30 June 2021, and is summarised in the following table.

Table 16: AHS NAV

$'000	Note	Assessed property value as at 30 June 2021	FMV as at 30 June 2021
Assets			
Cash and cash equivalents			165
Property, plant and equipment			3,200
ibis Styles Albany	1	*3,200*	
Other assets			928
Total assets			**4,293**
Liabilities			
Interest bearing liabilities			-
Other liabilities			1,914
Distribution payable			-
Total liabilities			**1,914**
Net assets			**2,379**
Equity			
Unitholder equity			5,450
Accumulated losses			(3,072)
Reserves			-
Total equity			**2,378**

Source: AHS' unaudited Management accounts for FY21.

We have engaged the Third Party Independent Valuer to review the valuation of the ibis Styles Albany hotel. Brief commentary on the current and peer review is provided in the following note.

Note:

1	**Ibis Styles Albany, 369 Albany Highway, Orana, WA 6330, valued by Opteon as at 28 June 2021** Opteon justified a devaluation of the ibis Styles Albany as there are fewer buyers and sellers within the market stemming from uncertainty within the accommodation sector. Opteon found the ibis Styles Albany valuation lay within a reasonable range for hotels and motels with comparable land size, room numbers, and revenue per room. An independent peer review was conducted on this property valuation by the Third Party Independent Valuer. The peer review highlighted the future branding, franchise status and sufficiency of capital costs for the ibis Styles Albany. On balance, the Third Party Independent Valuer concluded that Opteon's valuation was properly instructed; that their approach was proper and professional, complying with API industry standards; and that the assumptions used were reasonable in determining the FMV of the ibis Styles Albany.

As the financial position as at 30 June 2021 includes the current valuation of the owner occupied hotel property, and the remaining assets and liabilities are mostly monetary, we consider the current NAV to be reliable indicator of the FMV of 100% interest in AHS.

The value of ENN securityholders interest in AHS, pre-transaction is assessed to be $2.4m, as summarised in the following table.

Table 17: FMV of 100% interest in AHS

$m	30 June 2021
FMV of 100% interest in AHS	2.4

Source: BDOCF analysis

7.5. EHAF Reorganisation costs incurred

Certain costs that have already been incurred by ENN in the lead up to the EHAF Reorganisation that are not reflected in the NAV valuations include:

- property valuation costs of approximately $25k per hotel. These valuations were required for mortgage and financial reporting purposes and therefore would have been incurred regardless of the Proposed Transaction;
- fees for tax, stamp duty and legal advice, and research costs of approximately $410k.

The total costs incurred pre-transaction, attributable to ENN securityholders is assessed to be $0.6m, as summarised in the following table.

Table 18: FMV of 100% interest in AHS

$m	EMPR	ELHF	AHS	Total
Number of hotels	10 x	3 x	1 x	
Property Valuation Cost ($25k per hotel)	0.25	0.075	0.025	
ENN investor share of costs	42.9%	100%	100%	
Valuation costs attributable to ENN securityholders	0.11	0.075	0.025	0.2
Tax, stamp duty, legal and research costs				0.4
Total EHAF Reorganisation costs incurred, pre-transaction				**0.6**

Source: Management information, BDOCF analysis

7.6. Conclusion on the FMV of the interest pre transaction

Based on our analysis using the NAV methodology above and adjustment for EHAF Reorganisation costs incurred pre-transaction, we have assessed the FMV of ENN securityholder interests in EMPR, EHLF and AHS pre-transaction to be $111.6m, as summarised in the following table.

Table 19: Conclusion of the FMV of the interests pre-transaction

$m	
FMV of 42.9% interest in EMPR	43.8
FMV of 100% interest in ELHF	66.0
FMV of 100% interest in AHS	2.4
FMV of interests pre-transaction	**112.1**
Attributable EHAF Reorganisation costs incurred pre-transaction	(0.6)
FMV of interests after pre-transaction costs	**111.5**

Source: BDOCF analysis

8. VALUATION OF THE TRANSACTION CONSIDERATION

8.1. Overview of the Transaction Consideration

Currently ENN securityholders hold the following interests:

- 100% of ELHF;
- 100% of AHS; and
- 42.9% in EMPR.

As part of the EHAF Reorganisation, the above interests will be disposed, and ENN securityholders will receive:

- cash consideration for ELHF of between $16.6m and $40.7m, subject to the Capital Raise;
- cash consideration for AHS of $2.4m;
- EHAF securities representing an interest in all of the net assets of EMPR, ELHF and AHS of between 36.4% and 49.0%, subject to the Capital Raise;
- transaction costs for the EHAF reorganisation payable to the manager of EHAF, a wholly owned subsidiary of ENN; and
- the right to receive additional ongoing management fees from EHAF.

A minimum 8% distribution guarantee will also be paid by ENN to EHAF securityholders during FY22.

If $68.6m is raised in the Capital Raise, the cash consideration for ELHF will be $16.6m and the resultant ENN stake in EHAF will be approximately 49.0%.

If $92.7m is raised in the Capital Raise, the cash consideration for ELHF will be $40.7m and the resultant ENN stake in EHAF will be approximately 36.4%.

The total transaction consideration to be paid to the Securityholders will therefore comprise cash, securities, transaction fees receivable and additional ongoing management fees, net of the Distribution Guarantee.

8.2. Valuation of EHAF post-transaction

We have assessed the FMV of ENN securityholder interests in EHAF post-transaction using the NAV methodology.

In order to assess the net assets in EHAF after the Proposed Transaction, we have considered:

- the constituent net assets from EMPR, ELHF and AHS;
- Management pro-forma adjustments to prepare for the Proposed Transaction; and
- pro-forma adjustments to reflect the Capital Raise, payment of the cash consideration and transaction costs.

The following sections show the initial net asset position and subsequent adjustments under two Capital Raise scenarios, in which $68.8m is raised (**Low Capital Raise**) and $92.7m is raised (**High Capital Raise**).

8.2.1. Constituent net assets of EHAF and preparatory adjustments

Prior to the Capital Raise and transaction costs, the net asset position of EHAF will initially be comprised of 100% of EMPR, 100% of ELHF and 100% of AHF. An abbreviated version of the financial position of EMPR, ELHF, AHS and EHAF is shown in the following table. Additional Management adjustments to prepare EHAF for the Proposed Transaction are also shown and discussed below.

Table 20: Combined net assets of EMPR, ELHF and AHS, and pre-transaction adjustments

$m	EMPR	ELHF	AHS	EHAF	Swap EMPR	Swap ELHF	EMPR FY21 Distribution	Debt Reclass.	EHAF adjusted
Section Ref/ Note	7.2	7.3	7.4		A	B	C	D	
Assets									
Cash and cash equivalents	1.6	4.0	0.2	5.8		(0.6)			5.1
Property, plant and equipment	170.9	172.0	3.2	346.1					346.1
Other assets	6.9	3.8	0.9	11.6					11.6
Total assets	**179.4**	**179.8**	**4.3**	**363.5**	-	(0.6)	-	-	**362.9**
Liabilities									
Interest bearing liabilities	67.4	107.8	-	175.2	0.2		5.1	1.5	182.1
Other liabilities	9.9	6.0	1.9	17.9	(0.2)	(0.6)	(5.1)	(1.5)	10.4
Total liabilities	**77.3**	**113.8**	**1.9**	**193.1**	-	(0.6)	-	-	**192.5**
Net assets	**102.1**	**66.0**	**2.4**	**170.4**	-	-	-	-	**170.4**

Source: Unaudited Management accounts for FY21; BDOCF analysis

Adjustments:

A	EMPR have a swap recorded on the balance sheet under Derivative Financial Instruments as at 30 June 2021 at $158k. In preparation for restructuring the financing of EMPR for EHAF, this swap will be settled by raising additional debt of $220k.
B	ELHF have a swap recorded on the balance sheet under Derivative Financial Instruments as at 30 June 2021 at $655k. In preparation for restructuring the financing of ELHF for EHAF, this swap will be settled with a cash payment of $620k.
C	As at 30 June 2021, EMPR have a distribution payable of $5.123m. This distribution will be paid prior to the Proposed Transaction, funded by debt.
D	The total balance of interest bearing liabilities in the balance sheets for each of the 3 entities reflect the balances for financial reporting purposes. In preparation for the Proposed Transaction and restructuring of EHAF financing, approximately $1.5m of liabilities have been reclassified from other liabilities to debt, on the basis of two adjustments: ▸ the addition of capitalised debt costs to show the drawn balance of facilities with external lenders; and ▸ reclassification of subordinated debt currently shown in the Management accounts as payables, which will ultimately be refinanced by bank debt in the short term. The balance for Total Liabilities remains unchanged. Management seek to ensure accurate Loan to Value ratio (**LVR**) and interest expense calculations for the determination of EHAF net assets and NAV per security. The initial LVR on completion of the EHAF Reorganisation is to be 48.5%.

Further adjustments are required to reflect EHAF post-transaction.

8.2.2. Low Capital Raise scenario

The NAV of EHAF post-transaction under the Low Capital Raise scenario is shown in the following table. The adjustments to reach the post-transaction NAV are described below.

Table 21: EHAF NAV - Low Capital Raise

$m	EHAF adjusted	New Capital	EMPR Buyback	Stamp Duty	Transaction Costs	Debt Repayment	Cash Consideration	EHAF Pro-forma NAV
Note	8.2.1	E	F	G	H	I	J	NAV
Assets								
Cash	5.1	68.6	(29.9)	(0.2)	(5.4)	(14.2)	(19.0)	5.1
Hotel properties	346.1							346.1
Other assets	11.6							11.6
Total assets	**362.9**	**68.6**	**(29.9)**	**(0.2)**	**(5.4)**	**(14.2)**	**(19.0)**	**362.9**
Liabilities								
Debt	182.1					(14.2)		167.9
Other liabilities	10.4							10.4
Total liabilities	**192.5**	**-**	**-**	**-**	**-**	**(14.2)**	**-**	**178.3**
Net assets	**170.4**	**68.6**	**(29.9)**	**(0.2)**	**(5.4)**	**-**	**(19.0)**	**184.6**

Source: BDOCF analysis

Adjustments:

E	This scenario assumes the minimum capital raise amount of $68.6m is received in cash.
F	As part of the EHAF Reorganisation, there will be an institutional sell-down of 30 million EMPR securities based on a pre-transaction NTA of $0.997 per security, resulting in a total cash payment of $29.9m.
G	In accordance with tax advice, transfer stamp duty at rates up to 5.15% should be payable on the transfer of the ibis Styles Albany hotel to EHAF, calculated on the higher of the unencumbered market value of the land and the consideration for the transfer. On the basis of the assessed market value of $3.2m for the ibis Styles Albany, the stamp duty payable has been estimated to be $164.8k.

H	Transcation costs (excluding stamp duty noted in adjustment G) include: ▶ acquisition fees of $1.75m payable to the manager of EHAF, Elanor Asset Services Pty Limited, a wholly owned subsidiary of ENN; ▶ Cost recovery fees of $0.40m payable to EFML; ▶ equity raising fees of $1.76m also payable to Elanor Asset Services Pty Limited; ▶ debt establishment fees of $0.51m; ▶ legal and tax advice, and valuation and research reports totally $0.76m; and ▶ contingencies and other costs totalling $0.25m.
I	A debt repayment of $14.1m is planned to enable EHAF to meet a loan to value ratio of 48.5%.
J	If $68.6m in capital is raised, the cash consideration for the partial sale of ELHF to EMPR will be $16.6m. The consideration for AHS will be $2.4m, together totalling $19m. This has been calculated as the residual of the funds raised, less the cost of the EMPR buyback, debt reduction and transaction costs.

In the Low Capital Raise scenario, where $68.6m is raised, the resultant stake in EHAF that will be held by ENN will be 49.0%.

In addition to a 49.0% stake in EHAF, the ENN securityholders will also be entitled to receive:

- the $19m cash consideration from the sale of ELHF and AHS; and
- the $3.5m acquisition and equity raising fees and the $0.4m of cost recovery fees noted in adjustment H which will be received by subsidiaries of ENN. The fee income would be taxed at a corporate tax rate of 30% prior to distribution to ENN securityholders. The net benefit to ENN Securityholders would therefore be approximately $2.7m from fee income as a result of the Proposed Transaction.

The FMV of ENN securityholders interest in EHAF in the Low Capital Raise scenario including the cash consideration and transaction fees receivable, is assessed to be $112.1m, as summarised in the following table. We note that this is prior to consideration of the additional ongoing management fees (section 8.3) and the Distribution Guarantee (section 8.4).

Table 22: FMV of ENN securityholders interest - Low Capital Raise

Low Capital Raise	$m
EHAF NAV post-transaction	184.6
Stake in EHAF	49.0%
NAV attributable to ENN securityholders	**90.4**
Cash consideration received on sale of ELHF and AHS assets	19.0
Transaction costs received by ENN (after tax)	2.7
FMV attributable to ENN securityholders, post-transaction	**112.1**

Source: BDOCF analysis

8.2.3. High Capital Raise scenario

The NAV of EHAF post-transaction under the High Capital Raise Scenario is shown in the following table. Some adjustments are consistent with the Low Capital Raise scenario, described above. The adjustments specific to this scenario are described below.

Table 23: EHAF NAV - High Capital Raise

$m	EHAF adjusted	New Capital	EMPR Buyback	Stamp Duty	Transaction Costs	Debt Repayment	Cash Consideration	EHAF Pro-forma NAV
Note	8.2.1	K	8.2.2	8.2.2	8.2.2	8.2.2	L	
Assets								
Cash	5.1	92.7	(29.9)	(0.2)	(5.4)	(14.2)	(43.0)	5.1
Hotel properties	346.1							346.1
Other assets	11.6							11.6
Total assets	**362.9**	**92.7**	**(29.9)**	**(0.2)**	**(5.4)**	**(14.2)**	**(43.0)**	**362.9**
Liabilities								
Debt	182.1					(14.2)		167.9
Payables	10.4							10.4
Total liabilities	**192.5**	**-**	**-**	**-**	**-**	**(14.2)**	**-**	**178.3**
Net assets	**170.4**	**92.7**	**(29.9)**	**(0.2)**	**(5.4)**	**-**	**(43.0)**	**184.6**

Source: BDOCF analysis

Adjustments:

K	This scenario assumes the maximum capital raise amount of $92.7m is received in cash.
L	If $92.7m in capital is raised, the cash consideration for the partial sale of ELHF to EMPR will be $40.7m. The consideration for AHS will be $2.4m, together totalling $43.0m. This has been calculated as the residual of the funds raised, less the cost of the EMPR buyback, debt reduction and transaction costs.

In the High Capital Raise scenario, where $92.7m is raised, the resultant stake in EHAF that will be held by ENN will be 36.4%.

In addition to a 36.4% stake in EHAF, the ENN securityholders will also be entitled to receive:

- the $43.1m cash consideration from the sale of ELHF and AHS; and
- the $3.5m acquisition and equity raising fees, and $0.40 of cost recovery fees noted in adjustment H. ENN securityholders would receive approximately $2.7m from fee income, after tax, as a result of the Proposed Transaction.

The FMV of ENN securityholders interest in EHAF in the High Capital Raise scenario including the cash consideration and transaction fees receivable, is assessed to be $112.9m, as summarised in the following table. We note that this is prior to consideration of additional ongoing management fees (section 8.3) the Distribution Guarantee (section 8.4).

Table 24: FMV of ENN securityholders interest in EHAF - High Capital Raise

High Capital Raise	$m
EHAF NAV post-transaction	184.6
Stake in EHAF	36.4%
NAV attributable to ENN securityholders	**67.1**
Cash consideration received on sale of ELHF and AHS assets	43.0
Transaction costs received by ENN (after tax)	2.7
FMV attributable to ENN securityholders, post-transaction	**112.9**

Source: BDOCF analysis

8.3. Value of ongoing additional management fees

Currently, external investors hold 57.1% of EMPR's securities. EMPR currently has gross assets of approximately $179m. Post transaction, external investors will hold between 51.0% and 63.6% of EHAF's securities. Post transaction, EHAF will have gross assets of approximately $363m.

Management fees are charged at a rate of 1.0% p.a. of the gross asset value of fund. Currently the external investors interests in gross assets is circa $102m. Post transaction, external investors interests in gross assets will be between circa $185m and $231m.

ENN will benefit from greater ongoing management fees from the increased interest in gross assets held by external investors.

The annual increase in management fees receivable by ENN (assuming no change in gross assets) is estimated to range between $0.6m p.a. and $0.9m p.a. in the Low Capital Raise and High Capital Raise scenarios respectively, as shown in the following table.

Table 25: Calculation of the annual increase in management fees

Low Capital Raise		$m
External interest in gross assets pre-transaction		102.4
External interest in gross assets post-transaction		185.1
Increase in external interest in gross assets		**82.6**
Increase in management fees	**1.0%**	**0.8**
Tax	30%	0.2
Increase in Management fees (after tax)		**0.6**

High Capital Raise		$m
External interest in gross assets pre-transaction		102.4
External interest in gross assets post-transaction		230.9
Increase in external interest in gross assets		**128.5**
Increase in management fees	**1.0%**	**1.3**
Tax	30%	0.4
Increase in management fees (after tax)		**0.9**

Source: BDOCF analysis

Assuming a term of 5 years, no change in gross asset values, and a discount rate of 12%, the net present value of the benefit of the increase in management fees receivable by ENN is estimated to be $2.2m in the Low Capital Raise scenario and $3.4m in the High Capital Raise scenario, as shown in the following table.

Table 26: Value of ongoing additional management fees

NPV of increase in management fee	$m
Low Capital Raise	2.2
High Capital Raise	3.4

Source: BDOCF analysis

8.4. Valuation of the Distribution Guarantee

ENN has provided a guarantee that the income distribution per security payable by EHAF for the period from the allotment date to 30 June 2022 is a minimum of 8.0% p.a. on the issue price (Distribution Guarantee). As noted in the EHAF Information Memorandum, any required top-up payment under the Distribution Guarantee will be paid to investors in August 2022, together with the distribution for the quarter ending 30 June 2022.

The 8.0% p.a. distribution yield was forecast based on unaudited actual results to May 2021 (11 months) plus forecast for June 2021 (1 month), based on the current portfolio of 14 hotels. We note that an outbreak of COVID-19 occurred in several Australian states in June 2021 resulting in further border closures and travel restrictions.

The following table compares the calculation of the forecast distribution yield based on the ENN Information Memorandum data and the forecasts for FY22 noted in the independent valuation reports for each of the 14 hotels in EHAF.

Table 27: Forecast EHAF distribution yield

FY22 distribution estimate	Note	ENN forecast	Valuer forecast
Total property returns ($m)	1	25.2	20.4
Less: Fund management fees & expenses	2	(5.0)	(5.0)
Less: Interest expense	2	(4.6)	(4.6)
Net income/ Income distribution		**15.6**	**10.8**
Total securities on issue (post Capital Raise, m)	3	195.2	190.5
Profit per share		$ 0.08	$ 0.06
Issue price		$ 1.00	$ 1.00
Distribution yield		**8.0%**	**5.7%**

Source: EHAF Unlisted Property Fund Report, the 14 property valuation reports, Management information, BDOCF analysis

Notes:

1	The total property returns were sourced from ENN's forecast EBITDA for FY22 in the EHAF Unlisted Property Fund Report, based on the EHAF Information Memorandum dated 1 June 2021. The total property return for the Valuer FY22 forecast was based upon the EBITDA/Net income sourced from each of the 14 valuation reports dated at or about 30 June 2021.

2	ENN fund management fees and expenses, and interest expense were sourced from the EFML financial analysis in the EHAF Unlisted Property Fund Report, page 20.
3	The number of securities on issue post-transaction was estimated to be 195.2m in the EHAF Unlisted Property Fund Report as at June 2021. The number of EHAF securities now forecast by Management is 190.5m.

On the basis of the property valuer forecasts, the cash top-up that may be required to meet the minimum 8.0% distribution yield is $4.8m. We have adjusted only for the amount of cash allocated to non-ENN securityholders which varies depending on the amount of capital raised.

Assuming the allotment date is around September 2021, the distribution guarantee payment to non-ENN securityholders is estimated to range between $1.3m and $1.6m, as per the following table.

Table 28: Cost of Distribution Guarantee

Cost of Distribution Guarantee	$m
Distributions equivalent to an 8% return	15.6
Distributions based on property valuer forecast net income	10.8
Additional cost of Distribution Guarantee ($m, before tax)	**4.8**
Additional cost of Distribution Guarantee ($m, after tax)	**3.4**
Part year adjustment (Allotment date to 30 June 2022)	2.5
Cash payable to non-ENN securityholders (Low Capital Raise)	**1.3**
Cash payable to non-ENN securityholders (High Capital Raise)	**1.6**

Source: BDOCF analysis

8.5. Conclusion on the FMV of the Transaction Consideration

Our assessed FMV range for the Transaction Consideration, based upon the NAV valuation methodology including the cash consideration, 36.4% to 49.0% interest in EHAF securities and adjustment for additional ongoing management fees, and the cost of the Distribution Guarantee is between $113.1m and $114.7m. The calculation of the total Transaction Consideration is summarised in the following table.

Table 29: Assessed FMV of the Transaction Consideration

$m	Low Capital Raise	High Capital Raise
Capital raised	$68.6m	$92.7m
ENN securityholder stake in EHAF, post-transaction	49.0%	36.4%
FMV of ENN securityholders interest in EHAF	**112.1**	**112.9**
Value of additional ongoing management fees	2.2	3.4
Cost of Distribution Guarantee attributable to non-ENN securityholders	(1.3)	(1.6)
FMV of Transaction Consideration	**113.1**	**114.7**

Source: BDOCF analysis

9. FAIRNESS ASSESSMENT

RG 111.58 indicates that where the proposed transaction consists of an asset acquisition by the entity, it is 'fair' if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Our analysis has been performed by comparing:

- the FMV of the interests pre-transaction; and
- the FMV of the Transaction Consideration.

The Proposed Transaction will be fair if the FMV of the Transaction Consideration to be received is equal to or greater than the FMV of interests in ELHF, AHS and EMPR pre-transaction.

The result of our fairness analysis is summarised below.

Table 30: Fairness summary

Low Capital Raise	$m
FMV of the interests pre-transaction	111.5
FMV of the Transaction Consideration	113.1
Fairness - Low Capital Raise scenario	**1.5**
High Capital Raise	**$m**
FMV of the interests pre-transaction	111.5
FMV of the Transaction Consideration	114.7
Fairness - High Capital Raise scenario	**3.2**

Source: BDOCF analysis

Figure 4: Fairness assessment

Source: BDOCF analysis

As set out above, the FMV of the Transaction Consideration offered to the Securityholders is below the FMV of the interests pre-transaction. Therefore, we have concluded that the Proposed Transaction is fair to Securityholders.

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

10. REASONABLENESS ASSESSMENT

In accordance with RG 111.60 an offer is reasonable if it is fair. On this basis, the Proposed Transaction is reasonable to Securityholders.

We have set out below a summary of reasonableness factors we consider relevant in assisting the Securityholders in deciding whether or not to vote in favour of the Proposed Transaction.

Table 31: Summary of factors considered in the reasonableness assessment

Advantages	
The Proposed Transaction is fair	Our analysis concludes that the Proposed Transaction is fair to Securityholders. RG 111 states that an offer is reasonable if it is fair.
The formation of a single hotel and accommodation investment vehicle	The Proposed Transaction will enable the combination of ENN's 14 Australian hotels into one investment vehicle. EHAF may provide ENN with a platform for greater operational control to maximise performance and growth opportunities, improve access to capital, and provide a pathway to a potential ASX listing or future trade sale of the portfolio of hotels.
Successful capital raise	The Capital Raise has been successful with circa $75m in commitments received up to August 2021. Capital has been raised from investors who have not invested in ENN funds previous, potentially increasing ENN's sources of capital in the future.
Reduction in gearing levels	The Proposed Transaction will enable ENN to undertake capital management initiatives and reduce the gearing of ENN's hotel investments.
Diversification of risk	ENN securityholders currently hold a 100% interest in the 4 hotels of ELHF and AHS. Post transaction, the interest held will be reduced to between 36% and 49% across the portfolio of 14 hotels. This diversifies ENN's investments and reduces ENN's exposure to the assets in ELHF and AHS.
Release of ENN capital	The syndication of ENN's hotel investments will free up immediate cash flow to ENN for other investment opportunities and potential distributions to Securityholders.
Disadvantages	
The Distribution Guarantee	As part of the Proposed Transaction, ENN will guarantee that the income distribution per security payable by EHAF to investors for the period from the allotment date to 30 June 2022 is a minimum of 8% p.a. on the issue price. There is uncertainty as to the trading performance of the assets over this time period. Lockdowns and restrictions are a key factor behind this uncertainty. On the basis of independent property valuer forecasts for the 14 hotels and continued uncertainty around the impact of COVID-19, it is likely that a top-up payment will be required.
Other considerations	
ENN securityholders' investment profile may change as a result of the Proposed Transaction	Whilst ENN securityholders will continue to hold between 36.4% and 49.0% interest in the 14 hotels post-transaction, the longer term strategy may be to reduce ENN's investment to approximately 15%. The introduction of new initiatives in EHAF and new capital partners may expose Securityholders to a different risk profile if the Proposed Transaction is approved. As a result of the above, ENN securityholders may not wish to be exposed to the adjusted risk profile of the enlarged hotel fund following the Proposed Transaction.
Future of ELHF and AHS if the Proposed Transaction is rejected	The syndication of ELHF to third party investors has been an articulated strategy of ENN since the establishment of ELHF in November 2019. If the Proposed Transaction is rejected by Shareholders, ENN may continue to investigate alternatives to sell down ENN's hotel co-investments.

Source: BDOCF analysis

Based on the above analysis, we consider the Proposed Transaction to be reasonable to Securityholders.

11. RG 76 ARM'S LENGTH ASSESSMENT

As detailed at Section 5 of this Report,

- EFML has a Conflicts of Interests Policy which governs the operations of its business activities as a Responsible Entity of registered schemes and as a trustee of wholesale funds.
- To manage the EHAF Reorganisation, EFML established two sub-committees of its Board (one for the EMPR Board, the other representing the ENN Board), each composed of different non-executive and independent directors.
- One sub-committee has negotiated and settled the terms of sale for ENN on the sell-side of the Proposed Transaction. A second sub-committee has negotiated and settled the term of sale for EMPR on the buy-side.
- Each sub-committee has been supported by independent legal and financial advisors.
- BDOCF was engaged by EFML on behalf of ENN securityholders to prepare this IER.
- Three independent property valuers including CBRE, Knight Frank and Opteon were engaged and instructed by ENN's Hotels Tourism & Leisure team on behalf of EFML for mortgage and financial reporting purposes, independent of the Proposed Transaction.
- The sub-committees reviewed the draft independent valuations of the acquired hotels and no changes were made to the valuations as a result of their review.
- The consideration payable by EMPR for the acquired hotels has been determined with reference to the independent valuations.

11.1. Analysis of the Proposed Transaction and whether it is on arm's length terms

The key considerations in our arm's length assessment are summarised in the following table.

Table 32: Summary of key considerations in the arm's length assessment

Key considerations	
How the terms of the overall transaction compare with those of any comparable transactions on an arm's length basis	The acquisition price payable by EMPR has been determined based on independent property valuations prepared by CBRE, Knight Frank and Opteon; property consultants and valuers with the appropriate skills and experience to prepare the valuations. The full valuation reports include analysis of transactions and metrics from comparable transactions. These comparable transactions have provided valuation metrics that have been adopted in the valuation methodologies adopted by CBRE, Knight Frank and Opteon. The acquisition price has been based on the property valuations which consider comparable transactions that were on an arm's length basis.
The nature and content of the bargaining process	To manage the Proposed Transaction, two sub-committees were established (one for the EMPR Board, the other representing the ENN Board), each comprised of different non-executive and independent directors. One sub-committee negotiated and settled the terms of sale for ENN on the sell-side of the Proposed Transaction. A second sub-committee negotiated and settled the term of sale for EMPR on the buy-side. Each sub-committee has been supported by independent legal and financial advisors where required. BDOCF was engaged by the sub-committee acting for ENN. The acquisition price has been based on valuations prepared by CBRE, Knight Frank and Opteon. There has been no active bargaining between the two sub-committees to determine the consideration payable by the Syndicates. We note that if the acquisition price had differed to the independent property valuations as a result of negotiations, this could indicate that one of the sub committees had greater influence and the renegotiated terms may not have been on arm's length terms.
The impact of the transaction on the company	As a result of the Proposed Transaction: ▸ all 14 hotels owned and managed by ENN will be operated within one unique, purely hotel dedicated fund; ▸ EHAF will receive sufficient funding to repay a portion of debt and reduce gearing levels; and ▸ ENN will release capital to invest in further growth opportunities for ENN investors. This report does not opine on the merits of the EHAF Reorganisation.
Any other options available to the entity	ENN could continue to hold the hotels under the current EMPR, ELHF and AHS structure, and maintain its current strategy.

Table 32: Summary of key considerations in the arm's length assessment (cont'd)

Key considerations (cont'd)	
Any expert advice received by the entity	Each of the sub-committees have engaged separate financial and legal advisors. EFML engaged BDOCF to prepare this IER on behalf of ENN securityholders. We note that BDOCF has not been involved in structuring or negotiating the Proposed Transaction nor the EHAF Reorganisation. EFML received a draft of this report. The terms of the Proposed Transaction were not amended after EFML received the draft report.

Source: BDOCF analysis

11.2. Conclusion as to whether the Proposed Transaction is on arm's length terms

We consider the Proposed Transaction to be on arm's length terms. In reaching this conclusion we have considered the following:

- ENN and EMPR were represented by two separate sub-committees with access to their own legal and financial advisors;
- The FMV of ENN interests to be disposed and Transaction Consideration payable have been based on independent valuations prepared by external property valuers including CBRE, Knight Frank and Opteon. These valuations consider valuation metrics from arm's length transactions for similar assets to the acquired hotels; and
- We have concluded that the transaction is "Fair".

12. OVERALL OPINION

We have considered the terms of the Proposed Transaction, as outlined in this Report, and have concluded that it is fair and reasonable to the Securityholders, as the FMV of the Transaction Consideration offered to the Securityholders is greater than than the FMV of the Securityholders' interests in EHLF, AHS and EMPR pre-transaction. We consider the Proposed Transaction to be on arm's length terms for the purposes of RG76.

In a draft report released to Management on 13 August 2021, our report concluded that the Proposed Transaction was "not fair but reasonable". We have updated our fairness assessment to incorporate clarifying information provided by Management regarding additional fees to be received by ENN in connection with the Proposed Transaction. As a result of the revised analysis, our opinion has changed in this report to "fair and reasonable".

13. QUALIFICATIONS, DECLARATIONS AND CONSENTS

13.1. Qualifications

BDOCF is the licensed corporate finance arm of BDO Group Holdings Limited, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr David McCourt, B.Bus, CA, is a director of BDOCF. Mr McCourt is also a partner of BDO Group Holdings Limited. Mr McCourt has been responsible for the preparation of this IER.

Mr McCourt has over 20 years of experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr Sebastian Stevens, B.Bus, CPA is a Director of BDOCF. Mr Stevens is also a partner of BDO Group Holdings Limited.

Mr Stevens is the Director responsible for the review of this IER. Mr Stevens has over 25 years of experience in a number of specialist corporate advisory activities including company valuations advising on independent expert reports, due diligence investigations, preparation and review of business feasibility studies, public company floats, accounting, advising on mergers and acquisitions, preparation of information memoranda and other corporate investigations. Accordingly, Mr Stevens is considered to have the appropriate experience and professional qualifications to provide the advice offered.

13.2. Independence

BDOCF is not aware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

BDOCF considers itself to be independent in terms of RG 112 independence of experts, issued by ASIC.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for EFML in relation to the Proposed Transaction. Further, BDOCF has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with EFML that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

BDOCF will receive a fee of up to $55,000 plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

A draft of this IER was provided to the Directors and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IER.

In a draft report released to Management on 13 August 2021, our report concluded that the Proposed Transaction was "not fair but reasonable". We have updated our fairness assessment to incorporate clarifying information provided by Management regarding additional fees to be received by ENN in connection with the Proposed Transaction. As a result of the revised analysis, our opinion has changed in this report to "fair and reasonable".

13.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and the Securityholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Securityholders without the written consent of BDOCF. BDOCF accepts no responsibility to any person other than the Directors and the Securityholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon BDOCF's consideration and assessment of information provided by the Directors, executives and Management of the Company.

APPENDIX 1: GLOSSARY

Term	Definition
AFCA	Australian Financial Complaints Authority
AFSL	Australian financial services licence
APES 225	Accounting Professional & Ethical Standards Board Limited issued professional standard APES 225 on valuation services
APESB	Accounting Professional & Ethical Standards Board Limited
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
BDOCF, we, our or us	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
Capital Raise	The $68.6m to $92.7m capital raise undertaken for EHAF by way of a pro-rata entitlement offer to EMPR investors and an offer to new wholesale and sophisticated investors to the extent of any shortfall.
CBRE	CBRE Valuations Pty Limited
Corporations Act	Corporations Act 2001
DCF	Discounted cash flow method
Directors	Directors of EFML and EIL
EFML or Company	Elanor Funds Management Limited
EHAF	Elanor Hotel Accommodation Fund
EHAF Reorganisation	The disposal of 100$ of ENN's interests in AHS to EMPR, disposal of part of ENN's interest in ELHF to EMPR investors, and a stapling of the securities of EMPR and ELHF (including those held by ENN).
EIF	Elanor Investment Fund
EIL	Elanor Investors Limited
ELHF	Elanor Luxury Hotel Fund
EMPR	Elanor Metro and Prime Regional Hotel Fund
ENN	Elanor Investors Group, comprising EIF and EIL
FMV	Fair market value
FSG	Financial Services Guide
High Capital Raise	Capital Raise of $92.7m
Knight Frank	Knight Frank Valuation & Advisory
Licence	Australian Financial Services Licence No: 247420
Low Capital Raise	Capital Raise of $68.6m
LR 10.1	ASX Listing Rule 10 paragraph 1
Management	Management of ENN
Opteon	Opteon Property Group Pty Ltd
Proposed Transaction	The EHAF Reorganisation and Capital Raise
Report or IER	Independent expert's report
RICS	Royal Institution of Chartered Surveyors
RG 76	ASIC Regulatory Guide 111 Related party transactions
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
s208	Section 208 of the Corporations Act (Cth) (as modified by section 601LC of the Corporations Act (Cth))
Securityholders	Securityholders of Elanor Investors Group
Third Party Independent Valuer	One of the leading international property advisory companies engaged by BDOCF to perform a review of the market valuations performed by CBRE, Knight Frank and Opteon and relied upon by Management. In accordance with the RICS, the Third Party Independent Valuer requires that their name remain undisclosed.
Transaction Document	Draft Notice of Meeting and Explanatory Memorandum dated on or about 20 August 2021
WALE	Weighted average lease expiry

Source: BDOCF

APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- Draft Notice of Meeting and Explanatory Memorandum dated on or about 20 August 2021
- Elanor Luxury Hotel Fund 2020 Financial Statements
- Albany Hotel Syndicate 2021 Management Accounts
- Elanor Metro and Prime Regional Hotel Fund 2020 Financial Statements
- The valuation reports relating to the hotels within the EMPR portfolio as adopted in ENN's financial accounts
- Opteon Valuation Report for Ibis Styles Albany as at 28 June 2021
- CBRE Valuation Report for Mayfair Hotel Adelaide issued 30 July 2021
- Knight Frank Valuation Report for Peppers Cradle Mountain Lodge issued 9 August 2021
- CBRE Valuation Report for Adabco Boutique Hotel issued 5 August 2021
- Peer review reports provided by the Third Party Independent Valuer
- Core Property Unlisted Property Fund Report – Elanor hotel Accommodation Fund dated June 2021
- Baker McKenzie EHAF Stamp Duty Opinion Letter dated 23 July 2021
- Elanor Hotel Accommodation Fund Information Memorandum dated 1 June 2021
- Discussions with the Management of EFML
- Information sourced from Capital IQ
- ASIC guidance notes and regulatory guides as applicable
- Announcements sourced from ASX
- Other generally available public information

APPENDIX 3: VALUATION METHODS – BUSINESS AND ASSETS

In conducting our assessment of the fair market value, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow (DCF) method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (NPV).

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and exclude any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Asset Value Methods

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business securities or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- orderly realisation (NRV): this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- liquidation: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- continuing operations (NAV): this is a valuation of the net assets on the basis that the operations of the business will continue. It estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding entity. Adjustments may need to be made to the book value of assets and liabilities to reflect their value based on the continuation of operations.

The net realisable value of a trading entity's assets will generally provide the lowest possible value for the business. The difference between the value of the entity's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where an entity is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding entity, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the entity's value could exceed the realisable value of its assets.

Quoted Market Prices

The price that an entity's security trades on an exchange can be an appropriate basis for valuation where:

- the security trades in an efficient market place where 'willing' buyers and sellers readily trade the entity's security; and
- the market for the entity's security is active and liquid.

Other Valuation Considerations

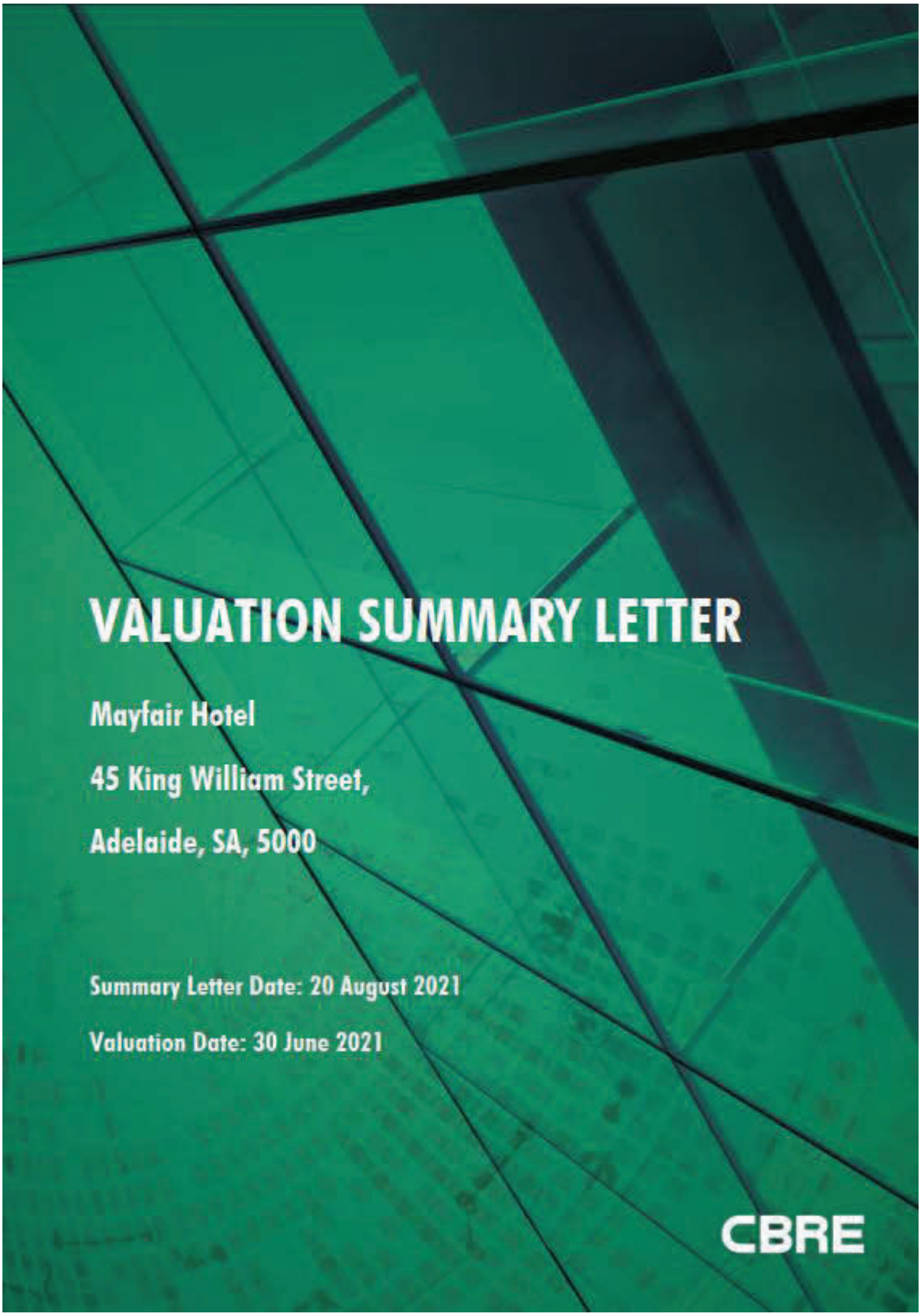
Future events

The businesses of EMPR, ELHF, and AHS to be considered in this valuation is that which exists as at the current date.

Future growth which arises from the commercialisation of the prospective resources has been considered in this valuation through our consideration of the fair market value of the tenements.

Other growth potentials, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

APPENDIX 4: PROPERTY VALUATION – MAYFAIR HOTEL ADELAIDE



VALUATION SUMMARY LETTER

Mayfair Hotel

45 King William Street,

Adelaide, SA, 5000

Summary Letter Date: 20 August 2021

Valuation Date: 30 June 2021

CBRE

Mayfair Hotel, 45 King William Street, Adelaide, SA, 5000

CBRE

CONTENTS

20 August 2021

Symon Simmons
Chief Financial Officer
Elanor Investors Group
Level 38, 259 George Street
Sydney NSW 2000

Valuation Summary

Mayfair Hotel, 45 King William Street, Adelaide, SA, 5000

1 Instructions

CBRE Valuations Pty Limited (CBRE) accepted instructions through our executed Terms of Engagement dated 30 June 2021 to prepare an As Is Market Valuation of the freehold interest in the property listed above for financial reporting and first mortgage security purposes as at 30 June 2021 (Valuation Report).

In accordance with your subsequent request, this Valuation Summary has been prepared for inclusion in an Independent Expert Report (IER) to be prepared by your advisor BDO Services Pty Ltd (BDO) in relation to the related party transaction to combine the Elanor Luxury Hotel Fund (owner of the property listed above) with the Elanor Metro and Prime Regional Hotel Fund to establish the Elanor Hotel Accommodation Fund. We therefore provide approval for BDO to refer to and include this Valuation Summary in its IER on the following conditions:-

- This Valuation Summary shall be included in full in the IER on the basis that it is a summary of the Valuation Report only and must not be relied upon the for purpose of assessing the property as an investment opportunity.
- We do not extend reliance to any third parties and specifically do not extend reliance to the purchasing entity or any other purchaser/s or investor/s.
- The IER not to be used as part of a Product Disclosure Statement or any such document used to raise capital.
- We have not analysed the related party transaction and do not express any opinion regarding its reasonableness or otherwise.
- We accept no responsibility or liability for reliance on this Valuation Summary which must be read in conjunction with the full Valuation Report.

The original Valuation Report specifically entails us providing our opinion of the market value of the property as at 30 June 2021 on the following basis:

Market Value	As Is – On a Vacant Possession Basis

CBRE has been instructed to provide this Valuation Summary in addition to the full Valuation Report dated 30 June 2021. Our Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed Property Risk Assessment and SWOT Analysis, plus the report details our Critical Assumptions, General Assumptions, Disclaimers, Limitations, Qualifications and Recommendations. As hotel going concern investments of this nature are inherently complex and the market conditions have changed and/or have been uncertain in recent times, it is prudent to consider the entire contents of our Valuation Report. Therefore, we recommend that this Summary Letter be read and considered together with the Valuation Report. We accept no responsibility or liability for reliance upon the Summary Letter.

1.1 Instruction Summary:

Instructing Party	Elanor Investors Group
Date of Instruction	Executed Terms of Engagement dated 30 June 2021
Report Copy	We refer the reader to Elanor Investors Group obtain a copy of our Valuation Report.

2 Brief Description of the Property and Occupancy Details

2.1 Property Details

Owner Name/s	Elanor Investment Nominees Pty Ltd
Property Type	170 room 5 star hotel
RPD	Lot 1 Filed Plan 128866 – Volume 5399, Folio 103
Land Area	713 sqm
Zoning	Capital City Zone (CC)
Council	Adelaide City Council
Land Use	The current use as a hotel conforms to the permitted use of the site under the current zoning.

2.2 Brief Description

Overview	The Mayfair Hotel comprises a 170 room, 5-star high rise hotel which opened in 2015, having formerly been known as the CML Adelaide Building, originally completed in the mid 1930's. Facilities include a lower ground floor restaurant and bar, rooftop bar, 3 function/conference rooms (with the ability to be co-joined or separated) and 4 retail spaces.

2.3 Management Profile

Occupancy	The property is currently managed and operated by the owner Elanor Investors. We have valued the property on the basis that an incoming owner would enter into a management agreement with an international hotel operator at management fees consistent with industry benchmarks being a base fee of 1% of total revenue and an incentive fee of 7% of Gross Operating Profit. Further, such an agreement would provide for termination to enable vacant possession upon sale with no/limited termination/compensation fees being payable to the operator.

3 Market Movement

The valuation referred to above represents the value of the property as at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property or particular property sector). CBRE is not liable for losses arising from any subsequent changes in value.

4 Critical Assumptions Contained in the Valuation Report

We draw the attention of the reader of this Summary Letter to the Critical Assumptions outlined in the full Valuation Report. These assumptions are critical to the valuation and relate to matters such as COVID-19, the Restricted Inspection basis of valuation, reliance upon financial information provided, basis of our market/hotel income forecast, market caution, internal leases/management agreements capital expenditure etc. Given the importance of these assumptions to the valuation amount contained herein, they should be fully read in conjunction with this Summary Letter.

5 Report Content

Our Valuation Report, in addition to the content noted earlier, contains detailed information and description pertaining to: Instructions; Use and Reliance; Site Details including Location, Legal, Environmental and Town Planning; and Building Improvements along with analysis of the asset's Management Profile and Financial attributes. This is followed by a comprehensive Investment Market and Adelaide Hotel Market Overview and details of the sales evidence regarded, along with our Investment Considerations. Finally, the Valuation Report considers the value and marketability of the property. We again refer the reader of this letter to our Valuation Report for detail in respect of the above items.

6 Valuation Methodology

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular have investigated recent sales of comparable properties. We have placed reliance on the capitalisation of stabilised net income and DCF approaches to valuation. A detailed explanation of the asset's investment credentials and the application of the Capitalisation approach and DCF methodology is provided in the full Valuation Report.

7 Valuation Summary

In accordance with the instructions, we summarise our valuation conclusions for the Mayfair Hotel as at 30 June 2021 as follows:

Market Value	**As Is – On a Vacant Possession Basis** **$86,000,000 (Eighty Six Million Dollars), exclusive of GST**

Mayfair Hotel, 45 King William Street, Adelaide, SA, 5000

CBRE

Mayfair Hotel
VALUATION SUMMARY

CBRE
Valuation Date 30-Jun-21

Year Ending June		A/F 11 +1	FORECAST		2022	2023	2024	2025	2026
Figures Expressed in A$		Jun-21	Jun-22				FORECAST		
Forecast Assumptions				CAGR=					
	CPI			1.9%	1.4%	1.7%	2.0%	2.2%	2.3%
	Nominal Wage Growth			1.5%	0.9%	1.2%	1.8%	2.1%	2.2%
Hotel	No of Rooms	170	170		170	170	170	170	170
	Occupancy Rate	57.5%	75.0%		58.9%	67.5%	75.4%	79.7%	80.1%
	Average Daily Rate ADR	225	240	2.4%	224	229	236	241	246
	RevPAR	130	180	10.6%	132	155	178	192	197
	Management Fee - Base	0.0%	0.0%		1.0%	1.0%	1.0%	1.0%	1.0%
	Management Fee - Incentive	7.5%	8.5%		7.0%	7.0%	7.0%	7.0%	7.0%
	FF&E Reserve	3.0%	3.0%		3.0%	3.0%	3.0%	3.0%	3.0%
Hotel Operation		Figures Expressed in A$'000			Figures Expressed in A$'000				
Total Operating Revenue		12,840	18,475	10.9%	13,297	15,718	18,240	19,620	20,125
Total Departmental Expenses		-6,916	-8,277	8.3%	-7,042	-7,991	-8,947	-9,465	-9,702
Total Departmental Income		5,925	10,198	13.6%	6,254	7,728	9,293	10,155	10,423
Total Undistributed Expenses		-2,706	-2,389	4.9%	-2,514	-2,762	-2,917	-2,979	-3,047
Gross Operating Profit		3,219	7,809	18.5%	3,740	4,965	6,376	7,176	7,376
Management Fee - Base		0	0		-133	-157	-182	-196	-201
Management Fee - Incentive		-243	-664		-253	-337	-434	-489	-502
Total Non-OP INC. and EXP.		-571	-618	1.9%	-618	-627	-640	-651	-665
Replacement Reserve (FF&E)		-385	-554		-399	-472	-547	-589	-604
EBITDA Less Replacement Reserve		2,020	5,973	23.3%	2,338	3,373	4,574	5,252	5,403
Other Income		916	0		161	163	166	169	173
Net Income		2,936	5,973		2,499	3,536	4,740	5,421	5,577
Capital Expenditure		0	0		-161	0	0	0	0
Net Cash Flow		**2,936**	**5,973**	24.3%	**2,338**	**3,536**	**4,740**	**5,421**	**5,577**
EBITDA less Rep. Res. As % of Total Op Revenue		15.7%	32.3%		17.6%	21.5%	25.1%	26.8%	26.8%
Running Yield (Net Income)									
After FF & E & Management		3.4%	6.9%		2.9%	4.1%	5.5%	6.3%	6.5%
Before FF & E & Management		4.1%	8.4%		3.8%	5.2%	6.9%	7.8%	8.0%

VALUATION APPROACHES			Result
Capitalisation of Inflation Adjusted Stabilised Year		**5.75%**	85,250,000
Discounted Cash Flow 10Yr	Discount Rate	**7.25%**	86,750,000
	Terminal Yield	**6.00%**	

Adopted Value Parameters	
Initial Yield	2.90%
Stabilised Yield	5.71%
Value per Room (A$)	505,882
10 Yr DCF IRR	7.38%
Terminal Yield	6.00%

A$ 86,000,000
EIGHTY SIX MILLION DOLLARS

THE ADOPTED VALUE IS BASED ON THE AVERAGE OF THE ABOVE METHODS

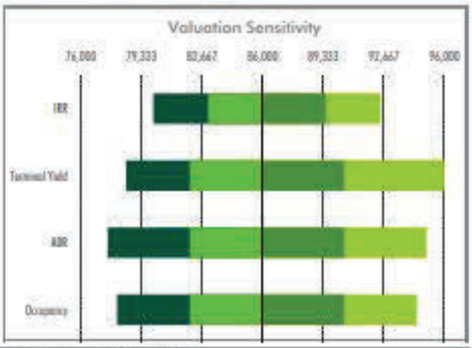
Sensitivity Analysis Figures Expressed in A$'000

Ten Year DCF Sensitivity by IRR and Terminal Yield

Terminal Yield	Internal Rate of Return 8.38%	7.88%	7.38%	6.88%	6.38%
7.00%	73,500	76,000	78,500	81,500	84,500
6.50%	76,500	79,000	82,000	85,000	88,500
6.00%	80,000	83,000	**86,000**	89,500	92,500
5.50%	84,000	87,500	90,500	94,000	98,000
5.00%	89,000	92,500	96,000	100,000	104,000

Valuation Sensitivity by Occ & ADR

ADR	Occupancy -5.00%	-2.50%	0.00%	2.50%	5.00%
-5.00%	70,000	73,500	77,500	81,500	85,000
-2.50%	74,000	78,000	82,000	86,000	90,000
0.00%	78,000	82,000	**86,000**	90,500	94,500
2.50%	82,000	86,500	90,500	94,500	99,000
5.00%	86,000	90,500	95,000	99,000	103,500



This analysis is purely for the purposes of a guide and sets out one permutation in support of our opinion of value

8 Consent

CBRE provides its consent for the inclusion of this Summary Letter within BDO's Independent Expert Report subject to Elanor Investors Group and BDO making recipients of the IER report aware of the conditions outlined in Section 1 above and the following liability disclaimers.

9 Liability Disclaimer

We do not provide financial advice	CBRE is not operating under an Australian Financial Services Licence when providing the full Valuation Report or this Summary Letter and those documents do not constitute financial product advice. Investors should consider obtaining independent advice from their financial advisor before making any decision to invest in/with Elanor Investors Group.
BDO Expert Report comment	CBRE disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the BDO Expert Report, other than in respect to this Summary Letter and the full Valuation Report.
Limitations	The Valuation Report and this Summary Letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the BDO Expert Report. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.
Information relied upon	CBRE has prepared the full Valuation Report and this Summary Letter relying on and referring to information provided by third parties in including financial and market information ("Information"). CBRE assumes that the Information is accurate, reliable and complete and it has not tested the information in that respect.
Qualified to full Valuation Report	References to the Property's value within this Summary Letter or the BDO Expert Report have been extracted from CBRE's Valuation Report. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis as well as key critical assumptions, general assumptions, disclaimers, limitations, qualifications and recommendations. As hotel investments of this nature are inherently complex and the market conditions have changed and/or have been uncertain in recent times, CBRE recommends that this Summary Letter and any references to value within the BDO Expert Report must be read and considered together with the Valuation Report. This Summary Letter is to be read in conjunction with our full Valuation Report dated 30 June 2021 and is subject to the Assumptions, Limitations, Disclaimers and Qualifications contained therein. We refer the reader to Elanor Investors Group to obtain a copy of the full Valuation Report.
No Responsibility	No responsibility is accepted for any loss or damage arising as a result of reliance upon this Summary Letter and the Full Valuation Report.
Restricted	Neither this Summary Letter nor the full Valuation Report may be reproduced in whole or in part without prior written approval of CBRE.
Valuer's Interest	We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the interest in the property.
Reliance & Liability	This document is for the sole use of persons directly provided with it by CBRE. Use by, or reliance upon this document by anyone other than those parties named above is not authorised by CBRE and CBRE is not liable for any loss arising from such unauthorised use or reliance. CBRE are participants in the Australian Property Institute (API) limited liability scheme. This scheme has been approved under Professional Standards legislation and is compulsory for API members.

Yours sincerely
CBRE Valuations Pty Limited

Troy Craig
Regional Director
Valuation & Advisory Services

Adam Nadile
Director
Valuation & Advisory Services

Liability limited by a scheme approved under Professional Standards Legislation.

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APPENDIX 5: PROPERTY VALUATION – PEPPERS CRADLE MOUNTAIN LODGE

18 August 2021

David McCourt
BDO Services Pty Ltd
Level 11, 1 Margaret Street
SYDNEY NSW 2000

Via e-mail to: David.McCourt@bdo.com.au

Our Reference: KFVAL14169-04

Dear David,

Re: Summary of Valuation Report

Cradle Mountain Lodge, 4038 Cradle Mountain Road, Tasmania ("Cradle Mountain Lodge")

We refer to instructions issued by Elanor Funds Management Limited ("Elanor") to provide a market valuation of Cradle Mountain Lodge as at 30 June 2021. By this letter, Knight Frank confirms that you have been provided with a copy of our valuation report and are entitled to rely on that report in preparing an Independent Expert Report, provided you produce this summary letter in full.

Readers of your Independent Expert Report should have regard to the following matters, that solely concern our valuation report:

1. Knight Frank has not analysed the subject matter of the transaction that is to be the subject of your Independent Expert Report and does not express any opinion as to its reasonableness. Our role is solely as independent property valuers who have assessed one asset relevant to your report, which is the Cradle Mountain Lodge. We do not make any representation or extend any duty of care to any investor, as to whether they should accept or reject the opinion of BDO.

2. We have assumed that your Independent Expert Report will follow all relevant regulatory guides and legislation, including ASIC Regulatory Guide 111 which governs the content and methodology of Independent Expert Reports

3. We assessed the market value of the Cradle Mountain Lodge to be $73,000,000 as at 30 June 2021. The valuation methodology was discounted cash flow, capitalisation and stabilised earnings methods. These methods rely heavily on the accuracy of financial information provided to us by Elanor.

Level 29, 120 Collins Street, Melbourne Vic 3000 T +61 (0) 8548 6800 F +61 (0) 3 8548 6899
knightfrank.com.au

4. The definition of "Market Value" adopted in our valuation, was as defined by the International Valuation Standards Council (IVSC) and the Australian Property Institute (API) as follows:

    "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."

5. The definition of "Market Value of a Going Concern is not formally defined by the IVSC or API, but our report adopted the following definition which assumes that:

    "the asset is inclusive of all licenses, permits and approvals, and the furniture and equipment (but excluding consumables and/or stock) and goodwill required for continuation of the existing use.

    The Freehold Going Concern includes the land, improvements, fittings and fixtures, with any exceptions noted, whereas the Leasehold Going Concern is the interest which a tenant or lessee acquires under a lease including rights of use and occupancy for a stated term under certain conditions.

6. The valuation noted that the freehold, leasehold and business were owned by separate but related entities and operated pursuant to various agreements between the entities. Our opinion of value, consistent with standard valuation practice, disregarded these non-arm's length transactions and assumed that all assets were owned by one entity.

7. Our opinion of value was subject to significant uncertainty, given that the value of Cradle Mountain Lodge is highly correlated to the tourism industry, which remains heavily impacted by Covid-19. It is not possible to reliably predict how long this impact will last.

8. Our valuation is current at the date of valuation only. Our opinion of value may change significantly or unexpectedly over a relatively short period (including because of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

9. Knight Frank was paid its usual fee in relation to the preparation of the valuation report. Such fee was not in any way linked to the opinion expressed in the valuation report.

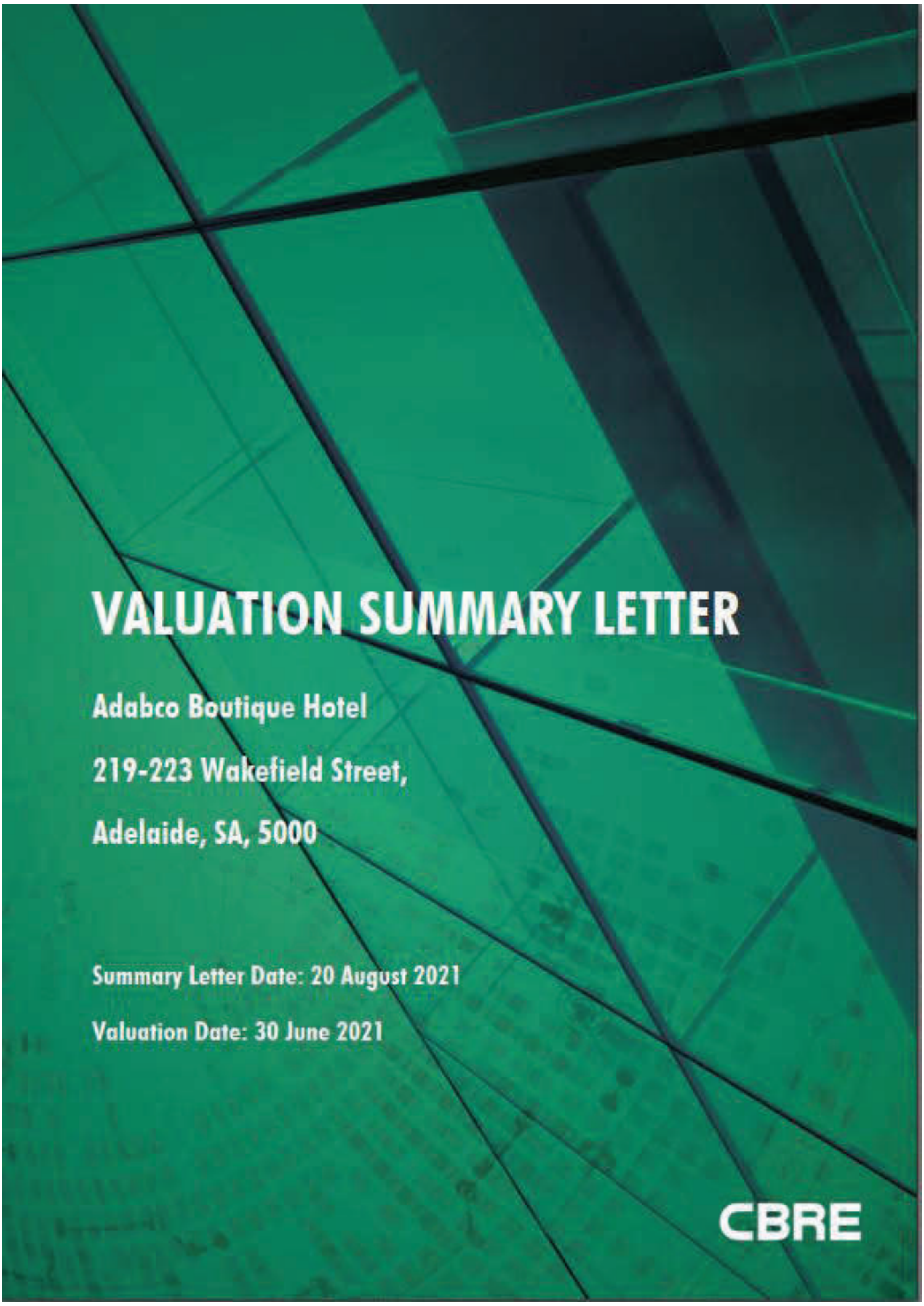
Yours faithfully,
Knight Frank Valuation & Advisory Victoria

SAMANTHA FREEMAN FAPI CPV CPV (Bus)

Joint Head – National Hotels & Hospitality

Partner

APPENDIX 6: PROPERTY VALUATION – ADABCO BOUTIQUE HOTEL ADELAIDE



VALUATION SUMMARY LETTER

Adabco Boutique Hotel

219-223 Wakefield Street,

Adelaide, SA, 5000

Summary Letter Date: 20 August 2021

Valuation Date: 30 June 2021

CBRE

Adabco Boutique Hotel, 219-223 Wakefield Street, Adelaide, SA, 5000

CBRE

CONTENTS

20 August 2021

Symon Simmons
Chief Financial Officer
Elanor Investors Group
Level 38, 259 George Street
Sydney NSW 2000

Valuation Summary

Adabco Boutique Hotel, 219-223 Wakefield Street, Adelaide, SA, 5000

1 Instructions

CBRE Valuations Pty Limited (CBRE) accepted instructions through our executed Terms of Engagement dated 30 June 2021 to prepare an As Is Market Valuation of the freehold interest in the property listed above for financial reporting and first mortgage security purposes as at 30 June 2021 (Valuation Report).

In accordance with your subsequent request, this Valuation Summary has been prepared for inclusion in an Independent Expert Report (IER) to be prepared by your advisor BDO Services Pty Ltd (BDO) in relation to the related party transaction to combine the Elanor Luxury Hotel Fund (owner of the property listed above) with the Elanor Metro and Prime Regional Hotel Fund to establish the Elanor Hotel Accommodation Fund. We therefore provide approval for BDO to refer to and include this Valuation Summary in its IER on the following conditions:-

- This Valuation Summary shall be included in full in the IER on the basis that it is a summary of the Valuation Report only and must not be relied upon the for purpose of assessing the property as an investment opportunity.
- We do not extend reliance to any third parties and specifically do not extend reliance to the purchasing entity or any other purchaser/s or investor/s.
- The IER not to be used as part of a Product Disclosure Statement or any such document used to raise capital.
- We have not analysed the related party transaction and do not express any opinion regarding its reasonableness or otherwise.
- We accept no responsibility or liability for reliance on this Valuation Summary which must be read in conjunction with the full Valuation Report.

The original Valuation Report specifically entails us providing our opinion of the market value of the property as at 30 June 2021 on the following basis:

Market Value	**As Is – On a Vacant Possession Basis**

CBRE has been instructed to provide this Valuation Summary in addition to the full Valuation Report dated 30 June 2021. Our Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed Property Risk Assessment and SWOT Analysis, plus the report details our Critical Assumptions, General Assumptions, Disclaimers, Limitations, Qualifications and Recommendations. As hotel going concern investments of this nature are inherently complex and the market conditions have changed and/or have been uncertain in recent times, it is prudent to consider the entire contents of our Valuation Report. Therefore, we recommend that this Summary Letter be read and considered together with the Valuation Report. We accept no responsibility or liability for reliance upon the Summary Letter.

1.1 Instruction Summary:

Instructing Party	Elanor Investors Group
Date of Instruction	Executed Terms of Engagement dated 30 June 2021
Report Copy	We refer the reader to Elanor Investors Group obtain a copy of our Valuation Report.

2 Brief Description of the Property and Occupancy Details

2.1 Property Details

Owner Name/s	Elanor Investment Nominees Pty Ltd
Property Type	69 room 4 star boutique hotel
RPD	Lot 728, Filed Plan 181570
Land Area	1,466 sqm
Zoning	Capital City Zone (CC)
Council	Adelaide City Council
Land Use	The current use as a hotel conforms to the permitted use of the site under the current zoning.

2.2 Brief Description

Overview	The Adabco Boutique Hotel comprises a 69 room 4-star, 3-storey boutique style hotel, which was originally constructed in 1896, however was converted into an accommodation hotel in 2007 whilst still maintaining its historical façade. Facilities include a 24-hour reception and office area, several communal kitchen facilities on each level, business centre, guest lounges, breakfast room, guest laundry and rear garage parking for 6 vehicles.

2.3 Management Profile

Occupancy	The property is currently managed and operated by the owner Elanor Investors. We have valued the property on the basis that an incoming owner would enter into a management agreement with an international hotel operator at management fees consistent with industry benchmarks being a base fee of 1% of total revenue and an incentive fee of 7% of Gross Operating Profit. Further, such an agreement would provide for termination to enable vacant possession upon sale with no/limited termination/compensation fees being payable to the operator.

3 Market Movement

The valuation referred to above represents the value of the property as at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property or particular property sector). CBRE is not liable for losses arising from any subsequent changes in value.

4 Critical Assumptions Contained in the Valuation Report

We draw the attention of the reader of this Summary Letter to the Critical Assumptions outlined in the full Valuation Report. These assumptions are critical to the valuation and relate to matters such as COVID-19, the Restricted Inspection basis of valuation, reliance upon financial information provided, basis of our market/hotel income forecast, market caution, internal leases/management agreements capital expenditure etc. Given the importance of these assumptions to the valuation amount contained herein, they should be fully read in conjunction with this Summary Letter.

5 Report Content

Our Valuation Report, in addition to the content noted earlier, contains detailed information and description pertaining to: Instructions; Use and Reliance; Site Details including Location, Legal, Environmental and Town Planning; and Building Improvements along with analysis of the asset's Management Profile and Financial attributes. This is followed by a comprehensive Investment Market and Adelaide Hotel Market Overview and details of the sales evidence regarded, along with our Investment Considerations. Finally, the Valuation Report considers the value and marketability of the property. We again refer the reader of this letter to our Valuation Report for detail in respect of the above items.

6 Valuation Methodology

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular have investigated recent sales of comparable properties. We have placed reliance on the capitalisation of stabilised net income and DCF approaches to valuation. A detailed explanation of the asset's investment credentials and the application of the Capitalisation approach and DCF methodology is provided in the full Valuation Report.

7 Valuation Summary

In accordance with the instructions, we summarise our valuation conclusions for the Adabco Boutique Hotel as at 30 June 2021 as follows:

Market Value	**As Is – On a Vacant Possession Basis** **$13,000,000 (Thirteen Million Dollars), exclusive of GST**

Adabco Boutique Hotel, 219-223 Wakefield Street, Adelaide, SA, 5000

CBRE

Adabco Boutique Hotel
VALUATION SUMMARY

CBRE
Valuation Date 30-Jun-21

Year Ending June		A/F 11 +1	FORECAST		2022	2023	2024	2025	2026
Figures Expressed in A$		Jun-21	Jun-22				FORECAST		
Forecast Assumptions				CAGR=					
	CPI			1.9%	1.4%	1.7%	2.0%	2.2%	2.3%
	Nominal Wage Growth			1.5%	0.9%	1.2%	1.8%	2.1%	2.2%
Hotel	No of Rooms	69	69		69	69	69	69	69
	Occupancy Rate	27.7%	70.0%		54.3%	60.4%	67.9%	76.6%	80.1%
	Average Daily Rate ADR	105	121	2.1%	121	124	126	128	131
	RevPAR	29	85	12.5%	65	75	85	98	105
	Management Fee - Base	0.0%	0.0%		1.0%	1.0%	1.0%	1.0%	1.0%
	Management Fee - Incentive	0.0%	7.8%		7.0%	7.0%	7.0%	7.0%	7.0%
	FF&E Reserve	1.5%	3.0%		3.0%	3.0%	3.0%	3.0%	3.0%
Hotel Operation		Figures Expressed in A$'000				Figures Expressed in A$'000			
Total Operating Revenue		741	2,227	12.7%	1,704	1,947	2,236	2,571	2,744
Total Departmental Expenses		-449	-914	8.7%	-706	-772	-851	-938	-986
Total Departmental Income		292	1,313	15.2%	997	1,175	1,385	1,633	1,757
Total Undistributed Expenses		-248	-390	2.7%	-409	-418	-431	-443	-455
Gross Operating Profit		44	924	21.9%	589	757	954	1,189	1,302
Management Fee - Base		0	0		-17	-19	-22	-26	-27
Management Fee - Incentive		0	-72		-40	-52	-65	-81	-89
Total Non-OP INC. and EXP.		-130	-134	1.9%	-134	-136	-139	-141	-144
Replacement Reserve (FF&E)		-11	-67		-51	-58	-67	-77	-82
EBITDA Less Replacement Reserve		-97	651	29.0%	347	492	661	864	959
Other Income		118	0		0	0	0	0	0
Net Income		21	651		347	492	661	864	959
Capital Expenditure		0	0		0	0	0	0	0
Net Cash Flow		**21**	**651**	29.0%	**347**	**492**	**661**	**864**	**959**
EBITDA less Rep. Res. As % of Total Op Revenue		-13.1%	29.2%		20.4%	25.3%	29.6%	33.6%	34.9%
Running Yield (Net Income)									
After FF & E & Management		0.2%	5.0%		2.7%	3.8%	5.1%	6.6%	7.4%
Before FF & E & Management		0.2%	6.1%		3.5%	4.8%	6.3%	8.1%	8.9%

VALUATION APPROACHES			Result	Adopted Value Parameters	
				Initial Yield	2.67%
Capitalisation of Inflation Adjusted Stabilised Year		**6.50%**	12,500,000	Stabilised Yield	6.30%
				Value per Room (A$)	188,406
Discounted Cash Flow 10Yr	Discount Rate	**7.75%**	13,500,000	10 Yr DCF IRR	8.38%
	Terminal Yield	**6.50%**		Terminal Yield	6.50%

A$ 13,000,000
THIRTEEN MILLION DOLLARS

THE ADOPTED VALUE IS BASED ON THE AVERAGE OF THE ABOVE METHODS

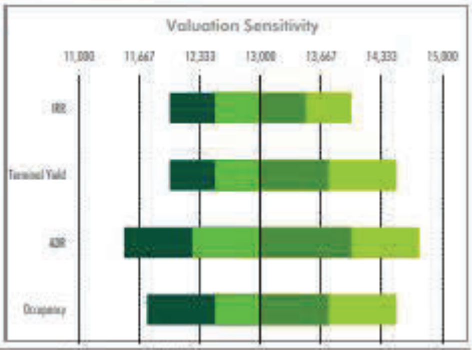
Sensitivity Analysis Figures Expressed in A$'000

Ten Year DCF Sensitivity by IRR and Terminal Yield

Terminal Yield	Internal Rate of Return 9.38%	8.88%	8.38%	7.88%	7.38%
7.50%	11,250	11,500	12,000	12,500	13,000
7.00%	11,500	12,000	12,500	13,000	13,500
6.50%	12,000	12,500	**13,000**	13,500	14,000
6.00%	12,750	13,250	13,750	14,250	14,750
5.50%	13,250	13,750	14,500	15,000	15,500

Valuation Sensitivity by Occ & ADR

ADR	Occupancy -5.00%	-2.50%	0.00%	2.50%	5.00%
-5.00%	10,250	11,000	11,500	12,000	12,500
-2.50%	11,000	11,750	12,250	13,000	13,500
0.00%	11,750	12,500	**13,000**	13,750	14,500
2.50%	12,500	13,250	14,000	14,750	15,500
5.00%	13,500	14,250	14,750	15,500	16,250



This analysis is purely for the purposes of a guide and sets out one permutation in support of our opinion of value

8 Consent

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BDO Expert Report comment	CBRE disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the BDO Expert Report, other than in respect to this Summary Letter and the full Valuation Report.
Limitations	The Valuation Report and this Summary Letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the BDO Expert Report. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.
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Qualified to full Valuation Report	References to the Property's value within this Summary Letter or the BDO Expert Report have been extracted from CBRE's Valuation Report. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis as well as key critical assumptions, general assumptions, disclaimers, limitations, qualifications and recommendations. As hotel investments of this nature are inherently complex and the market conditions have changed and/or have been uncertain in recent times, CBRE recommends that this Summary Letter and any references to value within the BDO Expert Report must be read and considered together with the Valuation Report. This Summary Letter is to be read in conjunction with our full Valuation Report dated 30 June 2021 and is subject to the Assumptions, Limitations, Disclaimers and Qualifications contained therein. We refer the reader to Elanor Investors Group to obtain a copy of the full Valuation Report.
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Restricted	Neither this Summary Letter nor the full Valuation Report may be reproduced in whole or in part without prior written approval of CBRE.
Valuer's Interest	We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the interest in the property.
Reliance & Liability	This document is for the sole use of persons directly provided with it by CBRE. Use by, or reliance upon this document by anyone other than those parties named above is not authorised by CBRE and CBRE is not liable for any loss arising from such unauthorised use or reliance. CBRE are participants in the Australian Property Institute (API) limited liability scheme. This scheme has been approved under Professional Standards legislation and is compulsory for API members.

Yours sincerely

CBRE Valuations Pty Limited

Troy Craig
Regional Director
Valuation & Advisory Services

Adam Nadile
Director
Valuation & Advisory Services

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APPENDIX 7: PROPERTY VALUATION – IBIS STYLES ALBANY

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Summary Letter

Ibis Styles Albany, 369 Albany Highway
Orana, Western Australia 6330

File Ref: 12428208

VALUATION SUMMARY LETTER

Ibis Styles Albany, 369 Albany Highway
Orana, Western Australia 6330

Prepared For	Elanor Investor
Our Reference	12997901
Letter Date	20 August 2021
Valuation Date	28 June 2021
Client Reference	Not applicable

SOLUTIONS WITH EXCELLENCE
Opteon Property Group Pty Ltd
ABN 78 144 732 589
Liability limited by a scheme approved under Professional Standards Legislation

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E info@opteonsolutions.com
W www.opteonsolutions.com

Table of Contents

Ibis Styles, 369 Albany Highway
Orana, Western Australia 6330
Our Reference: 12997901

20 August 2021

Marianne Ossovani
CEO HTL Partners
and Head of Hotels, Tourism and Leisure
Elanor Investors Group
Level 21, 259 George Street, Sydney

Attention: The Directors, Elanor Investors

Valuation Summary Letter – Ibis Styles Albany, 369 Albany Highway, Orana, Western Australia 6330

1.0 Instructions

Instructing Party	Marianne Ossovani, CEO HTL Partners and Head of Hotels, Tourism and Leisure Elanor Investors Group
Background	Opteon Property Group Pty Ltd accepted instructions dated 12 May 2021 to prepare a market valuation report of the Freehold Going Concern ("Walk In, Walk Out") interest in "Ibis Styles Albany", 369 Albany Highway, Orana, Western Australia 6330, for Financial Reporting purposes only. The instructions stated that the report should not be relied upon for any other purpose. The valuation was undertaken, as of 28 June 2021.
Instructions	Opteon Property Group Pty Ltd has, subsequently, received instructions to prepare a summary letter of our valuation report for the purpose of inclusion in a BDO independent expert review report/disclosure document for a related-party transaction. In accordance with these instructions, we provide herein a valuation summary letter for the purpose of inclusion within a BDO independent expert review report/disclosure document for a related-party transaction.
Inspection	The instructions for this valuation summary letter were made within 90 days of a previous valuation of the subject property. We confirm that this valuation summary letter is provided as a re-direction of an earlier report. The Valuer has not re-inspected the property nor undertaken any further investigation or analysis as to changes relating to the subject property or the market since the date of valuation and accepts no responsibility for reliance upon the valuation other than as a valuation of the property as at the date of valuation.
Valuation Summary Letter	This letter comprises a summary of pertinent details of our comprehensive report, dated 28 June 2021, which was completed for Financial Reporting purposes only. The main body of the comprehensive report may contain details, qualifications, assumptions, disclaimers, or other information that is critical to the assessment of value and does not appear in this summary letter. In light of this fact, this summary should only be read and relied upon, in conjunction with and with the full understanding of the complete valuation report document and its associated appendices.
Reliance	Our valuation report was prepared for the sole reliance of Elanor Investor. No reliance on our valuation report is extended to any other party, nor for any other purpose, other than the purpose stated in the valuation report.

Ibis Styles, 369 Albany Highway
Orana, Western Australia 6330
Our Reference: 12997901

	This valuation summary letter is a summary of our valuation report, undertaken as of 28 June 2021, and must not be relied upon for the purpose of assessing the interest valued in the property, the subject of our valuation report, as an investment opportunity. Opteon's valuation is not to be construed or relied upon as advice about taxation, investment or financial strategy, nor as an endorsement, or recommendation as to the viability, of any transaction or investment opportunity. It is not operating under an Australian Financial Services Licence, and its valuation is not financial product advice. The valuation was prepared without regard to the specific investment objectives, tax position, financial situation or particular needs of any individual or entity. As such, any use or reliance upon the valuation is conditional upon Opteon (its directors, officers, members, employees, franchisees, advisers or related bodies corporate as the latter is defined by the Corporations Act 2001) being released from any demand, claim, or loss howsoever arising at law (including negligence) from or in connection with any use of, or reliance upon, in whole or in part, the valuation (or any summary or extract therefrom).
Client	Elanor Investor
Compliance/Departures with Valuation Standards	The original valuation, dated 28 June 2021, was prepared in accordance with the International Valuation Standards and other applicable Valuation Standards.

2.0 Property Details

Property Description	The subject property comprises a 7,917 square metre lot upon which is erected a motel complex comprising 50 separate rooms, and ancillary guest facilities, such as a laundry, together with a licensed restaurant and commercial laundry. The property further includes on-site car parking and driveway areas. The property features direct exposure to the busy Albany Highway and to South Coast Highway.
Title Reference	Lot 117 Diagram 76236 Volume 1851 Folio 749
Tenure Type	Freehold
Registered Proprietor	Elanor Funds Management Ltd
Total Title Area	7,917 sqm
Zoning	Hotel / Motel.

3.0 Significant and Verifiable Assumptions

Significant and verifiable assumptions included in the valuation report are as follows:

- The instructions and information supplied contained a full disclosure of all information that is relevant.
- The entity is a going-concern, and the assets will continue to be used as part of the entity.
- Other than the City of Albany work order for removal of asbestos, which we were verbally advised of our valuation assumes the property is not the subject of any further significant work orders. Should this prove to be incorrect, then we reserve the right to review our valuation.
- Our valuation assumes the property is not impacted by environmental contamination.
- Our valuation specifically assumes the financial accounts provided are a factually accurate representation of the going concern's financial trading profile.
- Due to current occupancy, we were unable to internally inspect all the subject accommodation units. As such, our valuation assumes all accommodation is consistent with those units inspected.
- This valuation was prepared based on the Assumptions Conditions and Limitations contained within and appended to the rear of the valuation report.

4.0 Nature and Source of Information

Information we were provided with and relied upon in undertaking our valuation includes:

- Online sources such as RP Data, Landgate, and Western Australian Planning Commission, etc. which is assumed to be factually accurate.
- Historic trading financials, historic occupancy statistics, budgeted and forecast trading financials, plus occupancy statistics, from a representative of the current owner.
- Liquor licence from a representative of the current owner.
- Historic CAPEX information from a representative of the current owner.
- Verbal information regarding CAPEX requirements relating to a City of Albany work order for asbestos removal, from a representative of the current owner.
- Verbal information regarding CAPEX requirements relating to future guest room refurbishments.
- Verbal information regarding potential CAPEX plans for the food and beverage components of the subject property.
- Copies of Asbestos Register and Management Plan, expired Accor Franchise Agreement details, historic Daily Operating reports, historic Management report, and historic market data, from a representative of the owner.

5.0 Basis of Valuation & Definitions

Market Value	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.
Highest & Best Use	Market Value is based on the highest and best use of the asset that may not necessarily be the existing use. Highest and Best Use is *"The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value of the property being valued"*.
Market Value As Is	"Market Value As Is" means a valuation that provides the Market Value of the property as it currently exists.
Going Concern	A going concern is defined as *"An operating business that will remain in operation for the foreseeable future. It is assumed that the entity has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations."*
Business Interest	The Business Interest represents the value of the business including all tangible and intangible assets used in the business. In the context of this valuation the value of the business is assumed to be a leasehold business, that is a business which leases the premises from which it operates from the freehold owner of the land and buildings.
Fair Value (definition for Financial Reporting purposes)	The International Financial Reporting Standards (IFRS) 13 Fair Value Measurement contains the following definition: *"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."* This definition differs from that appearing in the IVS Framework and that is commonly used for purposes **other than** financial reporting. Fair value under IFRS is generally consistent with the concept of market value as defined and discussed in the IVS Framework. For most practical purposes, market value under IVS will meet the fair value measurement requirement.

Special Value	Special value is an amount that reflects particular attributes of an asset that are only of value to a special purchaser. A special purchaser is a particular buyer for whom a particular asset has special value because of advantages arising from its ownership that would not be available to other buyers in the market. Special value can arise where an asset has attributes that make it more attractive to a particular buyer than to any other buyers in a market. These attributes can include the physical, geographic, economic or legal characteristics of an asset. Market value requires the disregard of any element of special value because at any given date it is only assumed that there is a willing buyer, not a particular willing buyer.
Valuation Inputs	IFRS 13 includes a "*Fair Value Hierarchy*" that classifies valuations according to the nature of the available inputs. In summary, the three levels of the hierarchy are as follows: • Level 1 inputs are "*quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date*". • Level 2 inputs are "*inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly*". • Level 3 inputs are "*unobservable inputs for the asset or liability*".
Impairment	Impairment arises where the carrying amount of an asset exceeds the amount that can be recovered from either its continued use and/or the sale of the asset. Under IAS 36 Impairment of Assets, an entity is required to review certain categories of asset at the date of each statement of financial position to determine whether there is any indication that an asset may be impaired. Impairment might be indicated by a reduction in the value of the asset because of market or technological changes, obsolescence of the asset, asset underperformance in comparison to the expected return, or an intention to discontinue or restructure operations. Certain assets (goodwill and intangibles with an indefinite life or not yet available for use) would be tested for impairment on an annual basis. If impairment is considered to have arisen, the carrying amount of the asset, whether derived from either historic cost or a previous valuation, should be written down to the "recoverable amount". This is the higher of the asset's "*value in use*" or its "*fair value less costs to sell*".
Property, Plant and Equipment in the Public Sector	The International Federation of Accountants' International Public Sector Accounting Standards Board (IPSASB) develops accounting standards for public sector entities, referred to as International Public Sector Accounting Standards (IPSAS). IPSAS contain similar principles to IFRS but related to the public sector environment. This includes a requirement for certain assets and liabilities to be measured at fair value. For some public sector assets, it may be difficult to establish their value because of the absence of market transactions for these assets. IPSAS 17 para 47, gives the following guidance: "*... the fair value of vacant government land that has been held for a long period during which time there have been few transactions may be estimated by reference to the market value of land with similar features and topography in a similar location for which market evidence is available. In the case of specialised buildings and other man-made structures, fair value may be estimated by using depreciated replacement cost, or the restoration cost or the service units approach (see IPSAS 21). In many cases, the depreciated replacement cost of an asset can be established by reference to the buying price of a similar asset with similar remaining service potential in an active and liquid market. In some cases, an asset's reproduction cost will be the best indicator of its replacement cost.*"

Other Accounting Requirements	In addition to the above principles we draw to your attention that there are various requirements and additional accounting standards for valuations and Director's or Trustee's obligations for financial reporting. We recommend you seek professional advice from a qualified accountant or auditor to ensure full compliance with the Law and relevant accounting standards.

6.0 Occupancy and Lease Details

Occupancy Status	Owner Operated. In our opinion, a high probability exists that the property will be purchased by a purchaser who intends to operate the property under a management agreement with a third-party manager. Our valuation has been prepared on the basis that the property is operated under a management agreement with a third-party manager.

7.0 Sales Evidence

The inclusion of sales evidence in this summary letter, which we referred to in undertaking our valuation assessment of the interest valued in the subject property, is not considered practical. Comparative analysis of sales evidence, which we utilised in our valuation assessment, is contained within our valuation report.

8.0 Valuation Methodology & Conclusions

8.1 Adopted Valuation Approach

The most appropriate method of valuation for a property of this nature is the capitalisation of net profit supported by the direct comparison on a rate per room basis. Due regard has been given to transactions of comparable properties, as discussed under the market evidence section of our valuation report.

8.2 Income Approach

Capitalisation of Net Profit:

The *capitalisation* method is a method that can be applied across a broad cross-section of asset types (including income producing property, going concerns, specialised assets, and intangible assets) and can be applied to varying types of income. Typically, in assessing the *Market Value* of "property" the capitalisation method is applied to rents whilst in assessing the *Market Value* of "going concerns" or specialised assets the method is applied to net profits.

The *capitalisation* method is based on the concept that for income producing assets the price a prospective purchaser will be prepared to pay will be based on (amongst other things) the level of income and the return required for the investment of capital.

The *capitalisation* method is commonly used as the primary valuation method to determine the *Market Value* of *income producing assets* such as leased properties and going concerns or specialised assets.

Under the capitalisation of net profit, the net profit after adjustments is divided by the percentage return (known as the *capitalisation rate*) required by prospective purchasers in the market to arrive at the *Capitalised Value* assuming the asset was being operated under good average management.

Fair Maintainable Net Operating Profit

The adopted net operating profit was assessed in Section 15 of our report as $360,000pa, which assumes average good management and, in this instance, is after an FF&E replacement reserve allowance of 3%.

Capitalisation Rate

Key considerations in determining our adopted capitalisation rate range, in addition to the specific comparison comments outlined in Section 17.1 of our report, are noted as follows:

- Sales evidence Walk In, Walk Out yield range of 8.93% to 16.54% of net operating profit.
- The relative quality of the subject improvements, plant and equipment, and guest accommodation rooms FF&E.
- The volatile trading history of the subject motel.
- Inner suburban location in a major regional city which attracts both leisure and business travellers.
- Various accommodation options, although no self-contained options.
- Uncertainty around the level of impact on trade from new competition.
- Increased market volatility within the tourism sector as a result of the COVID-19 Pandemic.
- Uncertainty in regards future CAPEX requirements.
- Underlying land value.
- Quantum of value / Price point of the property.
- Prevailing economic and property market conditions.

Having regard to the above, we consider an appropriate WIWO capitalisation rate range (applied to our assessed maintainable NOP, post a 3% FF&E allowance) to be in the order of 10.50% to 11.50%, from which we have adopted an 11% WIWO capitalisation rate for the subject. Our assessment under this approach is further cognisant of the immediate $70,000 CAPEX requirement, for the removal and replacement of asbestos roof eaves soffit linings, which, in our opinion, is likely to be factored into the purchase price consideration of a potential purchaser of the subject property.

Application of the adopted WIWO capitalisation rate of 11% to our adopted Fair Maintainable Net Operating Profit assessment, post a 3% FF&E allowance, assuming a competent average standard of management of $360,000pa (rounded) yields a total Freehold Going Concern Market Value of $3,272,727, prior to our capital expenditure adjustment, and a total Freehold Going Concern Market Value of $3,202,727, post our capital expenditure adjustment, which has been rounded to $3,200,000 GST exclusive.

Our calculations are as follows:

Capitalisation of Net Operating Income Method				
Adopted Net Operating Income:				$360,000
Capitalised				@ 11.00%
Capitalised Value (before adjustments):				$3,272,727
Capital Adjustments:				
Capital Expenditure			($70,000)	
				($70,000)
Total Market Value:				$3,202,727
Indicates, Total Market Value as a Going Concern (WIWO):	*Rounding factor*	$50,000		**$3,200,000**

Sensitivity Analysis:			
Net Profit:	$360,000	**$360,000**	$360,000
Capitalised	@ 10.50%	**@ 11.00%**	@ 11.50%
Capitalised Value:	$3,428,571	$3,272,727	$3,130,435
Capital Adjustments:	($70,000)	**($70,000)**	($70,000)
Total Market Value:	$3,358,571	$3,202,727	$3,060,435
Indicates, Total Market Value as a Going Concern (WIWO):	$3,350,000	**$3,200,000**	$3,050,000
Indicates (WIWO) Room Rate Range:	$67,000/Room	**$64,000/Room**	$61,000/Room

8.3 Secondary Valuation Method

Comparable Transactions Method/Direct Comparison

The comparable transactions method utilises information on transactions involving properties that are the same or similar to the subject property. The comparable transaction method can use a variety of comparable evidence and units of comparison which form the basis of the comparison. A common unit of comparison for guest accommodation property is price per room. In analysing the units of comparison, the Valuer may make necessary adjustments to the key valuation metrics to reflect differences (such as the date of sale in comparison to the date of valuation, or differences in property characteristics) between the comparable sales and the valuation of the subject property.

The disclosed sales evidence, contained within our valuation report, of freehold going concerns ranges from $1,500,000 to $3,518,000. The Walk In, Walk Out sales evidence also disclose purchase price room rates ranging from $43,333 per room to $67,750 per room.

Having regard to the characteristics of the subject property, inclusive of current zoning and underlying land value considerations, and making adjustment for the variations between the sales evidence and the subject property, in our opinion a WIWO room rate range in the order of $62,000 to $67,000 per room, is applicable to the subject property, shown as follows:

Direct Comparison Valuation Method (Room Basis)				
				Market Value
Rooms:	50 room/s	@ $62,000		$3,100,000
	50 room/s	@ $65,000		$3,250,000
	50 room/s	@ $67,000		$3,350,000
Indicates Market Value:		Rounding	$100,000	**$3,200,000**

8.4 Valuation Reconciliation & Conclusion

Valuation Reconciliation

Valuation Reconcilation	
Capitalisation of Net Operating Income	$3,200,000
Direct Comparison Valuation Method (Room Basis)	$3,200,000
Adopted Valuation:	**$3,200,000**
Valuation reflects:	
Initial Yield:	11.25%
Going Concern Capitalisation Rate:	11.00%
Rate psm Land Area:	$404
Rate per Room:	$64,000

Having regard to the market evidence and above calculations, and after taking into account the attributes of the property, from an objective and balanced point of view, we are of the opinion that the Freehold Going Concern Market Value of the property is $3,200,000.

9.0 Goods & Services Tax

Treatment of GST	All amounts and values expressed in our report are exclusive of GST unless otherwise specified. For the purposes of our assessment, we have treated the supply as a Going Concern, being therefore GST free.
Recommendation	If there is any uncertainty as to the treatment of GST then we recommend you seek advice from a qualified accountant regarding the nature of any potential transaction or services supplied, the GST status of the parties involved, and confirmation of any potential GST liability.

10.0 Qualifications

Opteon Property Group Pty Ltd consents to the inclusion of this summary letter in a BDO independent expert review report for a related-party transaction, subject to the following conditions:

- This summary letter must not be relied upon for the purpose of assessing the interest valued in the property, the subject of our valuation report, as an investment opportunity.
- Opteon Property Group Pty Ltd has not been involved in the preparation of the BDO independent expert review report. As such, this summary letter does not take into account any matters concerning the investment opportunity contained within the BDO independent expert review report.
- Opteon's valuation is not to be construed or relied upon as advice about taxation, investment or financial strategy, nor as an endorsement, or recommendation as to the viability, of any transaction or investment opportunity. It is not operating under an Australian Financial Services Licence, and its valuation is not financial product advice. The valuation was prepared without regard to the specific investment objectives, tax position, financial situation or particular needs of any individual or entity. As such, any use or reliance upon the valuation is conditional upon Opteon (its directors, officers, members, employees, franchisees, advisers or related bodies corporate as the latter is defined by the Corporations Act 2001) being released from any demand, claim, or loss howsoever arising at law (including negligence) from or in connection with any use of, or reliance upon, in whole or in part, the valuation (or any summary or extract therefrom).
- Opteon's liability (including if negligent) is limited by a scheme approved under Professional Standards Legislation, namely the APIV Limited Liability Scheme.
- Opteon's valuation is current at the date of valuation only, and the value of a property or asset may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements, factors specific to the particular property or asset, or factors that Opteon could not have reasonably been aware as at the date of its valuation), and accordingly, Opteon excludes liability for claim or loss of any kind arising from such subsequent changes in value.
- Opteon disclaims any responsibility for the accuracy or completeness of the information contained in this disclosure document.
- Neither this summary letter, nor the full valuation report, may be reproduced in whole or in part without the prior written approval of Opteon Property Group Pty Ltd

Yours faithfully

Opteon Property Group Pty Ltd

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Senior Valuer
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Primary Valuer
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Important	*This valuation summary letter is subject to the definitions, qualifications and disclaimers and other comments contained within this letter.*

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Corporate Directory

Elanor Investors Group (ASX Code: ENN)

Elanor Investors Limited
Elanor Funds Management Limited as the Responsible Entity for the Elanor Investment Fund

Level 38
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T: +61 2 9239 8400

Directors of the Responsible Entity

Paul Bedbrook (Chairman)
Glenn Willis
Nigel Ampherlaw
Anthony (Tony) Fehon

Company Secretary of the Responsible Entity

Symon Simmons

Legal Advisor

Baker & McKenzie
Tower One - International Towers Sydney
Level 46 - 100 Barangaroo Avenue
Barangaroo NSW 2000

Independent Expert

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Level 11, 1 Margaret Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 3
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Sydney NSW 2000

Auditors

Price Waterhouse Coopers
One International Towers
Watermans Quay
Barangaroo NSW 2000

Website

www.elanorinvestors.com

Proxy Form

Elanor Investors Group

Elanor Investors Limited ABN 33 169 308 187
Elanor Funds Management Limited ABN 39 125 903 031
AFS Licence 398196 as responsible entity of
Elanor Investment Fund ABN 35 797 969 657 ARSN 169 450 926

ENN

MR SAM SAMPLE
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SAMPLEVILLE VIC 3030

Need assistance?

Phone:
1300 855 080 (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 **10:00 AM (AEST) on Monday, 27 September 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 IND

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 Elanor Investors Group 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 Elanor Investors Group to be held virtually via the Lumi Platform on Wednesday, 29 September 2021 at 10:00 AM (AEST) and at any adjournment or postponement of that meeting.

Step 2 Item 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
Resolution 1	Approval of disposals of interests in the Elanor Luxury Hotel Fund and the Albany Hotel Syndicate	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the 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)*

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

Mobile Number	Email Address

E N N 2 7 8 0 4 0 A

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