



22 June 2012

Mr Anthony Barakat
Trustee
A & T Barakat Superannuation Fund
1 Dickson Terrace
Hamilton QLD 4007

Dear Anthony

Re: Valuation – Valley Energy Pty Ltd

I am writing in connection with your instructions to provide valuation advice in respect of the above entity which operates as trustee for the Energy Trust which is understood to be in the ownership of A & T Barakat Superannuation Fund.

It is understood that Valley Energy Pty Ltd (Valley Energy) is the Lessee under a Chattel Lease from the Central Brunswick Town Square Community Body Corporate located in Brunswick Street, Fortitude Valley and relates to the retail sale of electricity to tenants occupying the Central Brunswick Town Square Property. The lease has a term of 20 years from 14 October 1997 and it is understood that the Lessee is the owner of all electrical cabling, switchboards, meter equipment and other items necessary for the wholesale supply and subsequent retail delivery of electricity to tenants in the property.

We have been provided with profit and loss statements for Valley Energy for the Financial Years ending June 2010 and June 2011, and for the 9 month period ending March 2012. These profit and loss statements indicate an improvement in net profit before income tax between 2010 and 2011 and a significant increase during the 9 month period to March 2012. This improvement is understood to reflect increased electricity usage within parts of the property and low fixed wholesale electricity supply tariffs which have been negotiated for the current year. With changes to ongoing wholesale electricity supply tariffs it is likely that the full year profit for the 12 month period ending June 2012 may not continue in the following Financial Years up to the expiry of the Lease in 2017.

In assessing the Lessee's interest in the current agreement, we have given consideration to the possibility of changing retail and wholesale electricity tariffs over time, the risk of bad debts and the terminating nature of the existing lease agreement despite the ownership of the infrastructure equipment which supplies electricity to the Property by the Lessee.

In assessing the value of this interest, we have adopted a capitalisation rate of 33.33% p.a. (a multiple of 3) but only for the unexpired term of the existing lease of approximately 5.3 years from 30 June 2012. The resultant valuation multiple on this basis is approximately 2.47. Reported net profit for the Financial Year ending June 2011 was \$181,173. This figure has been adopted as the sustainable income under the terms of this agreement rather than the higher profit which has been achieved for the year to date for the 9 month period ending March 2012.

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The adopted net profit before tax for the operations of Valley Energy of \$181,173 p.a. and a multiple of approximately 2.47 results in a figure of \$447,930 which can be rounded to \$450,000 for practical reporting purposes. No value has been assessed for the ownership of the supply infrastructure owned by the Lessee after expiry of the existing lease.

We are of the opinion that the value of the Lessee's interest held by Valley Energy Pty Ltd in respect of a leasehold interest for the retail supply of electricity to the Central Brunswick Town Square Community Body Corporate is the sum of \$450,000 (Four Hundred and Fifty Thousand Dollars) exclusive of GST as at 30 June 2012.

I trust the above advice is sufficient for your requirements.

Yours sincerely

Philip Willington

Director

Knight Frank Valuations Queensland

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