



23 July 2018

ASX ANNOUNCEMENT

RELEASE OF SCHEME BOOKLET FOR SRG GLOBAL MERGER OF EQUALS

SRG Limited (ASX:SRG) is pleased to announce that the Australian Securities and Investments Commission has registered the Scheme Booklet in relation to the SRG and Global Construction Services Limited (ASX:GCS) proposed merger of equals to create **SRG Global Limited** ("Merger"). The proposed Merger of equals is to be effected by way of an SRG scheme of arrangement whereby SRG shareholders will receive 2.479 GCS shares for each SRG share they hold ("Scheme").

On Friday 20 July 2018, the Federal Court of Australia approved the convening of a meeting of SRG shareholders to consider and vote on the Scheme, and approved the dispatch of the Scheme Booklet to SRG shareholders.

The Merger represents a platform transaction to continue to build a leading global Specialist Engineering, Construction and Maintenance Group, and is expected to bring significant benefits to SRG and GCS shareholders. For further details on the benefits of the Merger, see section 10.2 of the Scheme Booklet.

David Macgeorge, Managing Director of SRG stated, "We are excited that this Merger provides both businesses with a much stronger combined offering and greater scale with the goal post merger to continue to deliver strong growth across the business both domestically and internationally and to enhance our service offering to our key clients across the entire asset life cycle."

The independent expert, Lonergan Edwards & Associates ("Independent Expert"), has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of SRG shareholders, in the absence of a superior proposal.

The Board of SRG unanimously recommends that all SRG shareholders vote in favour of the Scheme, and they intend to vote any SRG shares that they own or control in favour of the Scheme, in each case in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Merger is in the best interests of SRG shareholders.

A full copy of the Scheme Booklet, which includes the Independent Expert's Report and Notice of Scheme Meeting, is attached to this announcement and will be sent to SRG shareholders today. SRG shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to download a copy of the Scheme Booklet and to lodge their proxy online. SRG shareholders who have not

PERTH (HEAD OFFICE)
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PERTH (WORKSHOP)
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Welshpool WA 6106

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Silverwater NSW 2128

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BRISBANE
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Yatala QLD 4207

BRISBANE (PRODUCTS)
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electd to receive communications electronically will be mailed a printed copy of the Scheme Booklet.

SRG FY18 Outlook and Dividend

SRG expects to achieve FY18 underlying EBITDA of \$18 - 20 million (excluding one-off costs)¹ including a \$1.8 - 2.0 million contribution from the TBS Group acquisition which was completed in April 2018.

SRG is proposing to release its preliminary final report (Appendix 4E) for the year ended 30 June 2018 to ASX on or about 14 August 2018.

SRG intends to pay a FY18 final dividend consistent with its past practice of between 50-60% of NPAT prior to implementation of the Scheme². SRG will make a separate announcement regarding any FY18 final dividend following the SRG board determining the final amount of any dividend.

Scheme Timetable

The Scheme Meeting is currently scheduled to be held at 10:30am (Perth time) on 22 August 2018 at the River Room, Royal Perth Yacht Club Australia II Drive, Crawley, 6009, Western Australia.

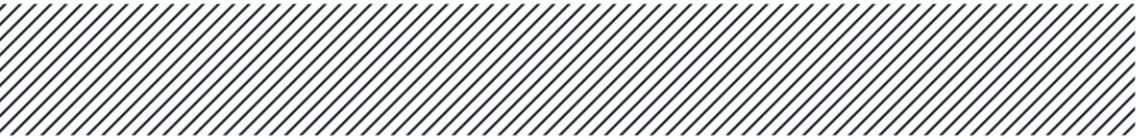
All SRG shareholders are encouraged to vote either by attending the Scheme Meeting in person, or by lodging a proxy form by 10:30am (Perth time) on 20 August 2018. Details of how to lodge a proxy form are included on the proxy form and in the Scheme Booklet.

An indicative timetable of key milestones is set out below.

| Event | Date |
|---|--------------------------------------|
| Scheme Booklet dispatched to SRG Shareholders | 23 July 2018 |
| SRG Financial Results Appendix 4E Released | 14 August 2018 |
| SRG Scheme Meeting | 10.30am (Perth time) 22 August 2018 |
| Second Court Hearing | 27 August 2018 |
| Scheme Effective Date | 28 August 2018 |
| Scheme Record Date | 5:00pm (Perth time) 4 September 2018 |
| Implementation Date | 11 September 2018 |

¹ One-off costs represent redundancy costs and costs associated with the TBS Group acquisition and the Merger.

² Not contingent on the Scheme proceeding.



SRG Shareholder Information Line

SRG shareholders who have questions regarding the Scheme or the Scheme Booklet should contact SRG's shareholder information line on 1300 070 747 (from within Australia) or +61 3 9415 4135 (from outside Australia) Monday to Friday between 9:00am and 5:00pm (Melbourne time).

ENDS

SRG Limited is an ASX-listed Specialist Engineering, Construction and Maintenance group with five business streams – Civil, Building, Asset Services, Mining and Products.

SRG started with the installation of rock anchors on the Snowy Mountain Scheme in 1961, and today SRG is a global company, built to take on challenging and complex infrastructure and mining projects. Its vision is Making the Complex Simple, and with employees located across Australia and internationally, SRG is able to bring a combination of engineering, innovation, construction and technical excellence to every project it undertakes. SRG has offices throughout Australia as well as in the Middle East and Hong Kong.



SCHEME BOOKLET

In relation to a proposal from Global Construction Services Limited (**GCS**) to acquire all the ordinary shares in SRG Limited (**SRG**) by way of scheme of arrangement.

The **SRG Directors** unanimously recommend that you

VOTE IN FAVOUR

of the Scheme, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of SRG Shareholders, in the absence of a superior proposal.

A Notice of Scheme Meeting is included as Annexure D to this Scheme Booklet, and a proxy form for the Scheme Meeting accompanies this Scheme Booklet.

The Scheme Meeting will be held at 10:30am (Perth time) on 22 August 2018 at the River Room, Royal Perth Yacht Club Australia II Drive, Crawley, 6009, Western Australia.

This is an important document and requires your immediate attention.

You should read this Scheme Booklet carefully and in its entirety before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt as to what you should do, you should consult your broker, financial adviser or legal adviser immediately.

FINANCIAL ADVISER TO SRG



STERNSHIP
ADVISERS

LEGAL ADVISER TO SRG



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SMITH
FREEHILLS

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IMPORTANT NOTICES

General

This Scheme Booklet is important and requires your immediate attention. You should read this Scheme Booklet in full before making any decision as to how to vote at the Scheme Meeting.

Nature of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for the Scheme required by subsection 412(1) of the Corporations Act.

This Scheme Booklet does not constitute or contain an offer to SRG Shareholders, or a solicitation of an offer from SRG Shareholders, in any jurisdiction. This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. Subsection 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not apply in relation to arrangements under Part 5.1 of the Corporations Act approved at a meeting held as a result of an order under subsection 411(1). Instead, SRG Shareholders asked to vote on an arrangement at such a meeting must be provided with an explanatory statement as referred to above.

ASIC and ASX

A copy of this Scheme Booklet has been registered by ASIC for the purposes of subsection 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. Neither ASIC, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with subsection 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearings to approve the Scheme.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how SRG Shareholders should vote (on this matter SRG Shareholders must reach their own conclusion); or
- has prepared, or is responsible for the content of, the explanatory statement.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure D.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any SRG Shareholder may appear at the Second Court Hearing, expected to be held at 9:15am on 27 August 2018 at Peter Durack Commonwealth Law Courts Building, 1 Victoria Avenue, Perth WA 6000.

Any SRG Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on SRG a notice of appearance in the prescribed form together with any affidavit that the SRG Shareholder proposes to rely on.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in section 15 of this Scheme Booklet. Section 15.2 of this Scheme Booklet also sets out some rules of interpretation which apply to this Scheme Booklet. Some of the documents reproduced in the annexures to this Scheme Booklet have their own defined terms, which are sometimes different to those set out in section 15.

No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any SRG Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. The SRG Directors encourage you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. This Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme. In particular, it is important that you consider the potential risks if the Scheme does not proceed, as set out in section 7.8 of this Scheme Booklet, and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure A. If you are in doubt as to the course you should follow, you should consult your legal, financial, taxation or other professional adviser.

Forward looking statements

Some of the statements appearing in this Scheme Booklet (including in the Independent Expert's Report) may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of GCS are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to SRG and GCS and/or the industries in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of SRG or GCS or their respective officers, directors, employees or advisers or any person named in this Scheme Booklet or involved in the preparation of this Scheme Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, SRG and GCS, and their respective officers, directors, employees and advisers, disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect (a) any change in expectations in relation to such statements; or (b) any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

SRG has prepared, and is responsible for, the SRG Information and the information provided by SRG to GCS or obtained from SRG's public filings on ASX regarding the SRG Group contained in, or used in the preparation of, the information regarding the Merged Group. Neither GCS nor any of its Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

GCS has prepared, and is responsible for, the GCS Information (other than any information provided by SRG to GCS or obtained from SRG's public filings on ASX regarding the SRG Group, contained in, or used in the preparation of, the information regarding the Merged Group). Neither SRG

nor any of its Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

Both SRG and GCS are jointly liable for the Joint Information and, subject to the exception below, both SRG and GCS assume responsibility and liability for the accuracy and completeness of that information. The exception is that, in relation to the pro forma financial information relating to the Merged Group:

- SRG has provided, and is responsible for, the financial information concerning the SRG Group included in that information, or upon which that information is based; and
- GCS has provided, and is responsible for, the financial information concerning the GCS Group included in that information, or upon which that information is based.

Loneragan Edwards & Associates Limited has prepared the Independent Expert's Report (as set out in Annexure A of this Scheme Booklet) and takes responsibility for that report. None of SRG or GCS or any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report.

PwC has prepared the Tax Letter (as set out in section 13 of this Scheme Booklet) and takes responsibility for the Tax Letter. None of SRG or GCS or any of their respective Subsidiaries, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information contained in the Tax Letter, except in the case of information provided to PwC by SRG and GCS (respectively).

No consenting party has withdrawn their consent to be named before the date of this Scheme Booklet.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws of the Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia. This Scheme Booklet and the Scheme do not constitute an offer of securities in any place which, or to any person whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the New GCS Shares or otherwise permit a public offering of such securities in any jurisdiction outside Australia.

SRG Shareholders whose addresses are shown in the register on the Scheme Record Date as being in a place outside of both Australia (and its external territories) and any Permitted Foreign Jurisdiction, unless GCS (acting reasonably and in consultation with SRG) determines otherwise, will not be issued New GCS Shares, and rather will be issued cash in accordance with section 7.15 of this Scheme Booklet.

Tax implications of the Scheme

If the Scheme becomes Effective, there will be tax consequences for Scheme Shareholders which may include tax being payable on any gain or disposal of shares. For further detail regarding general Australian tax consequences of the Merger, refer to section 13 of this Scheme Booklet. The tax treatment may vary depending on the nature and characteristics of each SRG Shareholder and their specific circumstances. Accordingly, SRG Shareholders should seek professional tax advice in relation to their particular circumstances.

Financial amounts

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding. All financial and operational information set out in this Scheme Booklet is current as at the date of this Scheme Booklet, unless otherwise stated.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date. Any discrepancies in any chart, graph or table between totals and sums of amounts presented or listed therein or to previously published financial figures are due to rounding.

Timetable and dates

All times and dates referred to in this Scheme Booklet are times and dates in Perth, Western Australia, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from Government Agencies.

Implied value

Any reference to the implied value of the Scheme Consideration should not be taken as an indication that SRG Shareholders will receive cash. The implied value of the New GCS Shares is not fixed. The implied value of the New GCS Shares will vary with the market price of GCS Shares. This also applies to Ineligible Foreign Shareholders, whose Scheme Consideration will be remitted to the Nominee to sell. Any cash remitted to Ineligible Foreign Shareholders under this arrangement will depend on the market price of GCS Shares at the time of sale by the Nominee.

External websites

Unless expressly stated otherwise, the content of the websites of SRG and GCS do not form part of this Scheme Booklet and SRG Shareholders should not rely on any such content.

Privacy

SRG may collect personal information in the process of implementing the Scheme. The type of information that it may collect about you includes your name, contact details and information on your shareholding in SRG and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist SRG to conduct the Scheme Meeting and implement the Scheme. Without this information, SRG may be hindered in its ability to issue this Scheme Booklet and implement the Scheme. Personal information of the type described above may be disclosed to the SRG Share Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meeting), authorised securities brokers, professional advisers, Related Bodies Corporate of SRG, Government Agencies, and also where disclosure is otherwise required or allowed by law. SRG Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of the information about you held by the SRG Share Registry in connection with SRG Shares, please contact the SRG Share Registry. SRG Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should ensure that they inform such an individual of the matters outlined above.

Date of Scheme Booklet

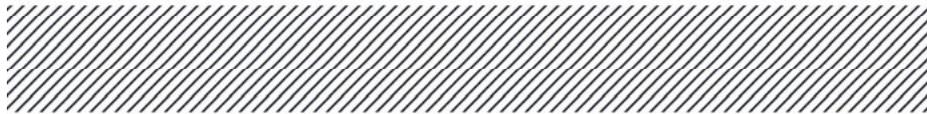
This Scheme Booklet is dated 20 July 2018.

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1. LETTER FROM THE CHAIRMAN OF SRG



20 July 2018

Dear SRG Shareholder

On behalf of the SRG Directors, I am pleased to write to you regarding this exciting opportunity presented by the proposed merger of equals between SRG and GCS to create SRG Global Limited.

The Merger will be effected by way of a scheme of arrangement under which GCS will, subject to certain conditions, acquire 100% of the SRG Shares. One of those conditions is that SRG Shareholders approve the merger in accordance with the Corporations Act.

If the Scheme is implemented, SRG Shareholders (other than Ineligible Foreign Shareholders) will receive 2.479 New GCS Shares for each SRG Share held by them on the Scheme Record Date, which will result in SRG Shareholders owning approximately 49% of the Merged Group.

This Scheme Booklet sets out the details of the proposed Merger between SRG and GCS and important matters relevant to your vote in relation to the Scheme.

This merger represents a unique situation where both companies are already working together on existing projects, have an aligned strategy/culture and highly complementary capabilities and experience. We truly believe that the combination of our two companies will create a stronger business that will provide a superior return to shareholders.

The board and management of the Merged Group will own approximately 18% of the shares on issue of the Merged Group, which provides strong alignment with the broader shareholder base and demonstrates the confidence in the strategic rationale for the Merger.

Directors' recommendation

The SRG Directors have conducted a thorough assessment of the merits of the Merger and recommend the Merger for the following reasons:

- A combination of SRG and GCS will create a leading global specialist engineering, construction and maintenance group that operates across the entire asset life-cycle.
- A combination of SRG and GCS will bring together complementary capabilities and assets into a platform capable of strong cross-sell and distribution of a wide range of differentiated products and services.
- Projected cost synergies of approximately \$3 - \$4 million per annum by FY20, are expected to be realised, as the step up in scale allows the Merged Group to leverage effectively off the Merged Group's fixed cost base (relative to SRG alone).
- The Merged Group is expected to have a stronger balance sheet compared to SRG alone.

Some specific areas of focus of the Merged Group will include:

- Utilising the existing GCS Access business (rope access/scaffolding) and footprint in the Australian market (particularly in oil & gas and resources) to drive growth. This replicates the TBS business model in New Zealand of combining the TBS Access business with the TBS Specialist Asset Maintenance Services business.
- The ability to offer a fully integrated services package to the building industry from design engineering, formwork / structures, post-tensioning and facades / curtain walling.
- Positioning the Merged Group to target rectification of flammable cladding (refer to the Grenfell fire in London) both domestically and internationally through combining the GCS facade construction capability with the SRG facade refurbishment and design engineering capability.
- Optimisation of fixed cost based and geographical footprint.
- Maximising asset utilisation and capital efficiency across the Merged Group.

The SRG Directors **unanimously recommend that you vote in favour of the Scheme**, in the absence of a Superior Proposal. Each SRG Director intends to vote, or procure the voting of, any SRG Shares held or controlled by them, in favour of the Scheme, in the absence of a Superior Proposal.

The Merged Group will be led by David Macgeorge as Managing Director who has created significant SRG shareholder value over his tenure as Managing Director of SRG. David will be supported by a very experienced board of directors and strong management team comprising of members from both SRG and GCS.

Independent Expert

The SRG Directors appointed Lonergan Edwards & Associates Limited as the independent expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is in the best interests of SRG shareholders, in the absence of a superior proposal.

How to vote

The Scheme can only be implemented if approved by SRG Shareholders by the Requisite Majorities at the Scheme Meeting to be held at 10:30am (Perth time) on 22 August 2018 at the River Room, Royal Perth Yacht Club Australia II Drive, Crawley, 6009, Western Australia and approved by the Court.

Your vote is important and I strongly encourage you to vote on this significant transaction. You may vote by attending the Scheme Meeting, or by appointing a proxy, attorney or body corporate representative to attend the Scheme Meeting and vote on your behalf. If you do not wish to or are unable to attend the Scheme Meeting in person, I encourage you to vote by completing the enclosed personalised proxy form and returning it to the SRG Share Registry so that it is received no later than 10:30am (Perth time) on 20 August 2018.

Please read this Scheme Booklet carefully and in its entirety as it contains important information that you should consider before you vote. You should also seek independent legal, financial, taxation or other professional advice before making an investment decision in relation to your SRG Shares.

If you have any questions regarding the Scheme or this Scheme Booklet you should contact the SRG Shareholder Information Line on 1300 070 747 (within Australia) or +61 3 9415 4135 (outside Australia) on Monday to Friday between 9:00am and 5:00pm (Melbourne time) or consult your legal, financial, taxation or other professional adviser.

On behalf of the SRG Directors, I thank you for your ongoing support and I look forward to your participation at the Scheme Meeting.

Yours faithfully,



Mr Peter McMorrow

Chairman
SRG Limited

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Yatala QLD 4207

BRISBANE (PRODUCTS)
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2. LETTER FROM THE CHAIRMAN OF GCS



20 July 2018

Dear SRG Shareholder

On behalf of GCS's board of directors and management, I am pleased to write to you regarding this exciting opportunity presented by the proposed merger of equals between SRG and GCS to create SRG Global Limited. Both companies have an aligned strategy and culture, on top of our highly complementary capabilities and experience, and the merger is a means of combining that. We believe that the combination of our two companies will create a stronger business that is better positioned to provide superior returns to shareholders.

GCS has undertaken a significant transformation in the last two years, which has included:

- expanding its Formwork/Structures business in the construction sector from a Western Australian footprint to a national footprint
- focusing its GCS Access business (rope access/scaffolding) on the oil & gas and mining sectors
- acquiring a leading Australian facade construction business focused on delivery to blue chip tier 1 building companies
- exiting its capital intensive equipment rental business through the sale to Onsite Rental
- establishing an improved and stronger balance sheet from a net debt position to a net cash position of \$42 million and \$132 million of net tangible assets (as at 31 December 2017).

This has now strategically positioned the company as a service business with low levels of growth/maintenance capital expenditure, targeting commercial infrastructure and resources construction, in parallel to shutdown/maintenance support services in the infrastructure, mining and oil & gas sectors across Australia.

This merger of equals is unanimously supported by the GCS Board and SRG Board, in the absence of a Superior Proposal. The Independent Expert has also concluded that the Scheme is in the best interests of SRG Shareholders, in the absence of a superior proposal. We encourage you to vote in favour of the merger at the Scheme Meeting on 22 August 2018.

SRG Global Limited will be a leading global specialist engineering, construction and maintenance group and will benefit from:

- a vertically integrated offering in building services
- an extended offering in asset maintenance
- significant cross selling opportunities of specialised services
- an enhanced footprint and sector diversity

This merger is truly a platform transaction for both companies and creates a scale group with a strong balance sheet, and which will be better placed to take advantage of cost efficiencies and the opportunities available to it.

Further details of the benefits of the combination are provided in section 4.1 of this Scheme Booklet ("Reasons you may want to vote in favour of the Scheme").

If the Scheme is approved, four SRG Directors will be appointed to the SRG Global Limited board. Peter McMorrow, the SRG Chairman, will be appointed as Deputy Chairman; David Macgeorge, the SRG Managing Director, will be appointed as Managing Director; and a further two SRG nominees, Peter Brecht and Michael Atkins, will also join the SRG Global Limited board as Non-executive Directors. From the current GCS Board, I will remain Chairman of the SRG Global Limited board, along with Enzo Gullotti as Executive Director and John Derwin as Non-executive Director.

As an SRG Shareholder, your vote is crucial to ensuring that the Scheme is implemented and the benefits of the combination can be pursued. I encourage you to vote in favour of the Scheme and we look forward to the closing of the transaction and to our future with you as a shareholder of SRG Global Limited.

Yours sincerely



Peter Wade
Chairman
Global Construction Services Limited

GLOBAL CONSTRUCTION SERVICES LIMITED ABN: 81 104 662 259

www.gcs.group

2 Redcliffe Road, Redcliffe WA 6104 Ph: +61 8 9479 7990 Fx: +61 8 9479 7789



3. KEY DATES RELATING TO THE SCHEME

| Event | Time and date |
|---|----------------------------|
| Latest time and date for receipt of proxy forms (including proxies lodged online) or powers of attorney by the SRG Share Registry for the Scheme Meeting | 10:30am on 20 August 2018 |
| Time and date for determining eligibility to vote at the Scheme Meeting | 5:00pm on 20 August 2018 |
| Scheme Meeting | 10:30am on 22 August 2018 |
| <i>If the Scheme is approved by SRG Shareholders at the Scheme Meeting</i> | |
| Second Court Hearing for approval of the Scheme | 27 August 2018 |
| Effective Date - the date the Scheme comes into effect under the Corporations Act | 28 August 2018 |
| Last day of trading in SRG Shares on ASX (SRG Shares will be suspended from trading on ASX from close of trading) | 28 August 2018 |
| New GCS Shares commence trading on ASX on a deferred settlement basis | 29 August 2018 |
| Scheme Record Date (for determining entitlements to Scheme Consideration) | 5:00pm on 4 September 2018 |
| Scheme Implementation Date (Scheme Shareholders (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration on the Scheme Implementation Date) | 11 September 2018 |
| New GCS Shares commence trading on ASX on a normal settlement basis | 12 September 2018 |

All times and dates in the above timetable are references to the time and date in Perth, Western Australia and all such times and dates are subject to change. SRG may vary any or all of these dates and times and will provide notice of any such variation on ASX. Certain times and dates are conditional on the approval of the Scheme by SRG Shareholders and by the Court.

The exact number of New GCS Shares to be issued to you will not be confirmed until you receive your holding statement following the Implementation Date. Should you intend to agree to deal in your New GCS Shares before you receive your holding statement, it is your responsibility to ensure you do not commit to sell more New GCS Shares than will be issued to you.

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4. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

4.1 Summary of key considerations relevant to your vote

(a) Reasons you may want to vote in favour of the Scheme

- (1) Your SRG Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal.
- (2) Your SRG Directors intend to vote in favour of the Scheme in relation to the SRG Shares held or controlled by them, in the absence of a superior proposal.
- (3) The Independent Expert has concluded that the terms of the Merger are fair and reasonable, and in the best interests of SRG Shareholders in the absence of a superior proposal.
- (4) A combination of SRG and GCS will create a leading global specialist engineering, construction and maintenance group that operates across the entire asset life-cycle.
- (5) A combination of SRG and GCS will bring together complementary capabilities and assets into a platform capable of strong cross-sell and distribution of a wide range of differentiated products and services.
- (6) A combination of SRG and GCS is projected to generate cost synergies of approximately \$3 - \$4 million per annum by FY20 as the step up in scale allows the Merged Group to leverage effectively off the Merged Group's fixed cost base (relative to SRG alone). A one-off cost of approximately \$2.5 million to realise the synergies is anticipated.
- (7) The Merged Group is expected to have a stronger balance sheet compared to SRG alone.
- (8) SRG Shareholders resident in Australia for tax purposes may be eligible for CGT roll-over relief in respect of New GCS Shares received.
- (9) No brokerage or stamp duty will be payable by you on the transfer of your SRG Shares.
- (10) Since the announcement of the Scheme, no Superior Proposal has emerged.

(b) Reasons you may want to vote against the Scheme

- (1) You may disagree with the Independent Expert and your SRG Directors and prefer SRG to continue to operate as a standalone entity.
- (2) The tax consequences of transferring your SRG Shares pursuant to the Scheme may not be optimal for your financial position.
- (3) You may consider that there is a possibility that a Superior Proposal could emerge in relation to SRG in the future.
- (4) The value of the New GCS Shares which form the Scheme Consideration is not certain.
- (5) There are risks associated with implementing the Scheme which you may consider exceed the benefits of the Scheme.
- (6) There are risks associated with a shareholding in the Merged Group that are different from those associated with your shareholding in SRG.

4.2 Other considerations

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Scheme.

(a) **Implications for SRG if the Scheme is not implemented**

If the Scheme is not implemented, SRG Shareholders will retain their SRG Shares and will not receive the Scheme Consideration.

Transaction related costs of approximately \$1.5 million are expected to be incurred by SRG irrespective of whether or not the Scheme is ultimately implemented. Further details of the estimated costs are set out in section 14.8 of this Scheme Booklet. These amounts do not include transaction or other similar costs that may be incurred by GCS (and therefore the Merged Group) should the Scheme proceed.

(b) **Exclusivity obligations**

The Scheme Implementation Deed contains certain customary exclusivity arrangements.

In summary, the exclusivity provisions consist of mutual no shop, no talk, matching right and notification provisions in relation to a Competing Proposal.

These exclusivity arrangements are set out in section 14.1(d) of this Scheme Booklet.

(c) **Reimbursement fees**

If the Scheme does not become Effective, a Reimbursement Fee of \$1.5 million may be payable to either SRG or GCS. The circumstances in which the Reimbursement Fee would be payable to either party are set out in sections 14.1(f) and (g) of this Scheme Booklet.

(d) **Warranty by Scheme Shareholders about their Scheme Shares and no encumbrances over Scheme Shares**

Under the Scheme, each Scheme Shareholder is deemed to have warranted to SRG and GCS that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of the transfer of them to GCS, be fully paid and free from all encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and transfer their Scheme Shares (including any rights and entitlements to attaining to those shares) to GCS under the Scheme. See section 7.16 of this Scheme Booklet for further details.

In addition, the Scheme provides that, to the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under the Scheme to GCS will, at the time of transfer of them to GCS, vest in GCS free of all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

(e) **The Scheme may be implemented even if you vote against the Scheme or you do not vote at all**

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of SRG Shareholders and the Court. If this occurs, your SRG Shares will be transferred to GCS and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

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5. NEXT STEPS AND VOTING AT THE SCHEME MEETING

5.1 Next Steps

You should read this Scheme Booklet carefully in its entirety, including the reasons to vote in favour of or against the Scheme (as set out in sections 4.1(a) and 4.1(b) of this Scheme Booklet), before making any decision on how to vote on the Scheme Resolution.

Answers to various frequently asked questions about the Merger are set out in section 6 of this Scheme Booklet. If you have any additional questions about this Scheme Booklet or the Merger, please contact the SRG Shareholder Information Line on 1300 070 747 (within Australia) or +61 3 9415 4135 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Melbourne time), or contact your broker or legal, financial, taxation or other professional adviser.

5.2 How to vote at the Scheme Meeting

| | |
|---------------------|---|
| Voting entitlements | If you are registered as a SRG Shareholder on the SRG Share Register at 5:00pm (Perth time) on 20 August 2018, you will be entitled to attend and vote at the Scheme Meeting to be held on 22 August 2018. |
| How to vote | <p>You can vote on the Scheme Resolution at the upcoming Scheme Meeting on 22 August 2018 in any of the following ways:</p> <ul style="list-style-type: none"> • in person by attending the Scheme Meeting at the River Room, Royal Perth Yacht Club Australia II Drive, Crawley, 6009, Western Australia at 10:30am (Perth time) on 22 August 2018; • by appointing a proxy or attorney to attend the Scheme Meeting and vote on your behalf: <ul style="list-style-type: none"> - by lodging a proxy online at www.investorvote.com.au; - by faxing the enclosed Proxy Form to (within Australia) 1800 783 447, or (outside Australia) +61 3 9473 2555; - by mailing the enclosed Proxy Form to Computershare Investor Services Pty Ltd ABN 40 078 279 277, GPO Box 242 Melbourne VIC 3001; - by hand delivering the enclosed Proxy Form to the SRG Share Registry at Computershare Investor Services Pty Ltd ABN 40 078 279 277, Level 11, 172 St Georges Terrace Perth WA 6000 during business hours between 9:00am and 5:00pm (Perth time); or - for Intermediary Online subscribers only, online at (custodians) www.intermediaryonline.com; or • in the case of a body corporate, by appointing a body corporate representative to attend the Scheme Meeting and vote on your behalf, using a certificate of appointment of body corporate representative. <p>To be valid, a proxy must be received by the SRG Share Registry by 10:30am (Perth time) on 20 August 2018.</p> |

6. FREQUENTLY ASKED QUESTIONS

This section answers some frequently asked questions about the Scheme. It is not intended to address all relevant issues for SRG Shareholders. This section 6 should be read together with all other parts of this Scheme Booklet.

| Question | Answer | More information |
|--|--|--------------------------|
| Overview of the Scheme | | |
| Why have I received this Scheme Booklet? | <p>This Scheme Booklet has been sent out to you because you are a SRG Shareholder and you are being asked to vote on the Scheme which, if approved, will result in GCS acquiring all SRG Shares for 2.479 New GCS Shares for each SRG Share you hold on the Scheme Record Date (unless you are an Ineligible Foreign Shareholder).</p> <p>This Scheme Booklet is intended to help you decide how to vote on the Scheme Resolution which needs to be passed at the Scheme Meeting to allow the Scheme to proceed.</p> | N/A |
| What is the Scheme? | <p>A 'scheme of arrangement' is a statutory procedure that can be used to enable one company to acquire another company.</p> <p>The Scheme is a scheme of arrangement between SRG and SRG Shareholders under which GCS may acquire 100% of SRG Shares for consideration to be provided under the terms of the Scheme, being 2.479 New GCS Shares for each SRG Share issued and outstanding, held by Scheme Shareholders (other than Ineligible Foreign Shareholders) on the Scheme Record Date.</p> | Section 7 and Annexure B |
| What is the effect of the Scheme if implemented? | <p>If the Scheme is approved by Scheme Shareholders and the Court, and if all other Conditions Precedent are satisfied or waived (where applicable):</p> <ul style="list-style-type: none"> • all your SRG Shares held on the Scheme Record Date will be transferred to GCS; • in exchange you will receive the Scheme Consideration (unless you are an Ineligible Foreign Shareholder); • SRG will be delisted from ASX; • the Merged Group will continue trading on ASX as GCS initially, and then as SRG Global Limited (subject to Merged Group Shareholders approving the change in name at the GCS 2018 annual general meeting); and • SRG Shareholders and GCS Shareholders will own approximately 49% and 51% of the Merged Group respectively. | Section 7.2 |
| Who is GCS? | <p>GCS is the company that is offering the New GCS Shares in consideration for your SRG Shares.</p> <p>GCS is an ASX listed construction and maintenance services company that offers a diverse range of integrated on-site products and services to commercial, residential, resource, industrial and oil & gas sectors. This includes formwork/structures, curtain wall and architectural façade design and installation, scaffolding and access solutions, and specialised site services. GCS has a market capitalisation of approximately \$156 million (based on the closing price of GCS Shares as at the Last Practicable Date).</p> | Section 9 |

| Question | Answer | More information |
|--|---|---------------------|
| What do I need to do? | You should read this Scheme Booklet carefully and in full and then vote at the Scheme Meeting in person or by appointing a proxy to vote on your behalf. | Section 5.1 |
| What will I receive under the Scheme? | | |
| What is the Scheme Consideration? | Each Scheme Shareholder (other than an Ineligible Foreign Shareholder) will receive 2.479 New GCS Shares for each SRG Share held by the Scheme Shareholder on the Scheme Record Date. | Section 7.2 and 7.3 |
| What are the New GCS Shares being issued as Scheme Consideration? | The New GCS Shares being issued as Scheme Consideration are fully paid ordinary shares in GCS which will rank equally in all respects with all existing GCS Shares as at the Implementation Date. | Section 7.2 |
| When and how will I receive my Scheme Consideration? | <p>You will be eligible to receive the Scheme Consideration if you are a Scheme Shareholder on the Scheme Record Date, provided you are not an Ineligible Foreign Shareholder.</p> <p>If the Scheme becomes Effective, GCS must issue, or cause to be issued, New GCS Shares on the Implementation Date (currently proposed to be 11 September 2018).</p> <p>Holding statements for the New GCS Shares will be sent to you within 10 Business Days after the Implementation Date, which is expected to be 11 September 2018.</p> | Section 7.3 |
| Will I be able to trade the New GCS Shares on ASX? | <p>Yes, GCS Shares currently trade on ASX, and if the Scheme is implemented, the New GCS Shares will trade on ASX.</p> <p>It is expected that you will be able to trade the New GCS Shares on a deferred settlement basis from 29 August 2018.</p> <p>Please note that the exact number of New GCS Shares to be issued to you will not be confirmed until you receive your holding statement following the Implementation Date. Should you intend to agree to deal in your New GCS Shares before receiving your holding statement, it is your responsibility to ensure that you do not commit to sell more New GCS Shares than will be issued to you.</p> | N/A |
| Will I be entitled to scrip-for-scrip capital gains tax rollover relief? | <p>Each SRG Shareholder's tax position is different. Therefore, SRG Shareholders are urged to seek their own independent tax advice regarding the specific tax consequences of the Scheme, including the applicability and effect of income and other tax laws in their particular circumstances.</p> <p>A summary of the general Australian income tax, stamp duty and GST consequences for Scheme Shareholders who participate in the Scheme is set out in section 13 (Taxation Considerations). However, Scheme Shareholders should not rely on the summary in section 13 in substitution for specific advice on their own affairs.</p> | Section 13 |
| Who is classified as an Ineligible Foreign Shareholder? | A Scheme Shareholder will be an Ineligible Foreign Shareholder if their address as shown in the SRG Register on the Scheme Record Date is a place outside of both Australia (and its external territories) and any Permitted Foreign Jurisdiction, unless GCS, acting reasonably and in consultation with SRG, determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New GCS Shares when the Scheme becomes Effective. | Section 7.15 |

| Question | Answer | More information |
|---|---|--|
| What will Ineligible Foreign Shareholders receive under the Scheme? | <p>If you are an Ineligible Foreign Shareholder, you will not be entitled to receive New GCS Shares in connection with the Scheme.</p> <p>On implementation of the Scheme, all New GCS Shares that Ineligible Foreign Shareholders would otherwise have been entitled to receive will be issued to the Nominee for sale by the Nominee on your behalf and at your risk as soon as reasonably practicable.</p> <p>You will receive such proportion of the proceeds in Australian dollars (after deducting any applicable brokerage, stamp duty and other taxes and charges, and selling costs) as the number of New GCS Shares which would have been issued to you (if you were eligible to receive New GCS Shares) as a portion of all New GCS Shares which would have been issued to all Ineligible Foreign Shareholders (if they were eligible to receive New GCS Shares), in full satisfaction of your rights to the Scheme Consideration.</p> | Section 7.15 |
| How will SRG Performance Rights and SRG Options under the SRG incentive plans be treated in connection with the Scheme? | If the Scheme is approved, all of the SRG Performance Rights will vest and will be converted into SRG Shares, and all of the SRG Options will vest (to the extent subject to vesting conditions) and be exercised, before the Scheme Record Date, so that the SRG Shares issued on the conversion of the SRG Performance Rights and exercise of SRG Options will participate in the Scheme (and there will be no outstanding SRG Performance Rights or SRG Options on issue as at implementation of the Scheme). | Sections 7.11 and 7.12 |
| How should I vote at the Scheme Meeting | | |
| What do the SRG Directors recommend? | The SRG Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a superior proposal. | Section 7.4 |
| What is the opinion of the Independent Expert? | The Independent Expert is of the opinion that the Scheme is in the best interests of SRG Shareholders, in the absence of a superior proposal. | For a copy of the Independent Expert's Report please see Annexure A. |
| What are the reasons you may want to vote in favour of the Scheme? | <p>Some reasons why you may want to vote in favour of the Scheme include:</p> <ul style="list-style-type: none"> the SRG Directors unanimously recommend that you vote in favour of the Scheme, in absence of a superior proposal; the Independent Expert has concluded that the Scheme is in the best interests of SRG Shareholders, in the absence of a superior proposal; a combination of SRG and GCS will bring together complementary capabilities and assets into a platform capable of strong cross-sell and distribution; a combination of SRG and GCS is projected to generate cost synergies of approximately \$3 - \$4 million per annum by FY20. A one-off cost of approximately \$2.5 million to realise the synergies is anticipated; and a combination of SRG and GCS will create a leading global specialist engineering, construction and maintenance group that operates across the entire asset lifecycle. | 4.1(a) |

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| Question | Answer | More information |
|---|---|-----------------------|
| What are the reasons you may want to vote against the Scheme? | <p>Reasons why you may want to vote against the Scheme include:</p> <ul style="list-style-type: none"> • you may disagree with the SRG Directors' unanimous recommendation and the Independent Expert's conclusion and prefer SRG to continue to operate as a stand-alone entity; • you may consider that there is a possibility that a Superior Proposal could emerge in relation to SRG in the future; • the monetary value of the Scheme Consideration is not certain and will depend on the price at which the New GCS Shares trade on ASX after the Implementation Date; • the tax consequences of the Scheme may not suit your current financial circumstances; and • you may consider that the risks associated with implementing the Scheme exceed the benefits of the Scheme. | 4.1(b) |
| What are the intentions of the SRG directors in relation to the Scheme? | Each SRG Director intends to vote, or procure the voting of, any SRG Shares held or controlled by them, in favour of the Scheme, in the absence of a Superior Proposal. | Section 7.4 |
| Implementation of the Scheme | | |
| Are there any conditions to the Scheme? | <p>The Scheme will not become Effective, unless and until all of the Conditions Precedent to the Scheme are satisfied or waived (if applicable).</p> <p>Material Conditions Precedent to the Scheme include that:</p> <ul style="list-style-type: none"> • no SRG Material Adverse Change or GCS Material Adverse Change occurs; • the Scheme Resolution is approved by the Requisite Majorities of SRG Shareholders at the Scheme Meeting; and • the Court approves the Scheme. <p>The above (and the balance of the Conditions Precedent to the Scheme) are outlined in more detail in section 7.7 of this Scheme Booklet).</p> <p>If the Conditions Precedent are not satisfied or (where applicable) waived, the Scheme will not proceed. In these circumstances, you will retain your SRG Shares, they will not be acquired by GCS and you will not receive the Scheme Consideration. SRG will continue to operate as a stand-alone entity listed on ASX.</p> | Section 7.7 |
| What is required for the Scheme to become Effective? | In order for the Scheme to become Effective, all Conditions Precedent must be satisfied or waived (where applicable). In particular the Scheme Resolution must be approved by the Requisite Majorities of SRG Shareholders at the Scheme Meeting and the Scheme must then be approved by the Court. | Section 7.7 |
| When and where will the Scheme Meeting be held? | The Scheme Meeting to approve the Scheme is scheduled to be held at the River Room, Royal Perth Yacht Club Australia II Drive, Crawley, 6009, Western Australia at 10:30am (Perth time) on 22 August 2018. | Annexure D |
| What will SRG Shareholders be asked to vote on at the Scheme Meeting? | At the Scheme Meeting, SRG Shareholders will be asked to vote on whether to approve the Scheme. | Sections 7.9 and 7.10 |

| Question | Answer | More information |
|---|--|------------------------|
| What is the SRG Shareholder approval threshold for the Scheme? | <p>In order to become Effective, the Scheme must be approved by:</p> <ul style="list-style-type: none"> at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by SRG Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate SRG Shareholders, body corporate representative); and a majority in number (more than 50%) of SRG Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate SRG Shareholders, body corporate representative). <p>Even if the Scheme is approved by SRG Shareholders at the Scheme Meeting, the Scheme is still subject to the approval of the Court (as well as other Conditions Precedent outlined in section 7.7 of this Scheme Booklet).</p> | Section 7.10 |
| Am I entitled to vote at the Scheme Meeting? | If you are registered as a SRG Shareholder on the SRG Share Register at 5:00pm (Perth time) on 20 August 2018, you will be entitled to attend and vote at the Scheme Meeting. | Section 5.2 |
| How can I vote if I can't attend the Scheme Meeting? | <p>Voting at the Scheme Meeting may be in person, by attorney, by proxy or, in the case of a corporation, by corporate representative.</p> <p>Details on how to vote by proxy, attorney or corporate representative are set out in the 'How to Vote' part of section 5.2.</p> <p>If you cannot attend the Scheme Meeting, you may also vote online or complete the personalised proxy form accompanying this Scheme Booklet in accordance with the instructions. The deadline for lodging your proxy form for the Scheme Meeting is 10:30am on 20 August 2018.</p> | Section 5.2 and 7.10 |
| When will the results of the Scheme Meeting be known? | The results of the Scheme Meeting to be held on 22 August 2018 are expected to be available shortly after the conclusion of the Scheme Meeting and will be announced to ASX (www.asx.com.au) once available. | Section 7.10 |
| What happens if the Court does not approve the Scheme or the Scheme does not otherwise proceed? | <p>If the Scheme is not approved then:</p> <ul style="list-style-type: none"> the Scheme will not proceed; no SRG Shares will be acquired by GCS; you will retain your SRG Shares; you will not receive the Scheme Consideration; SRG will continue to operate as a stand-alone entity listed on ASX; the current SRG Board and management team will continue to operate SRG; the expected benefits of the Scheme will not be realised; and SRG will have incurred significant costs, and utilised significant management time and resources without obtaining any benefit. | Sections 7.8 and 12.5. |
| What happens to my SRG Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective and is implemented? | If you do not vote, or vote against the Scheme, and the Scheme becomes Effective and is implemented, any Scheme Shares held by you on the Scheme Record Date (currently expected to be 5:00pm (Perth time) on 4 September 2018) will be transferred to GCS, and you will receive the Scheme Consideration (unless you are an Ineligible Foreign Shareholder), despite not having voted or having voted against the Scheme. | Section 4.2 |

| Question | Answer | More information |
|--|---|--------------------------------|
| When will the Scheme become Effective and when will it be implemented? | <p>The Scheme will become Effective on the date that an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. This date is the Effective Date of the Scheme. Upon the Scheme becoming Effective, the Scheme will bind SRG and all Scheme Shareholders. SRG will also give notice of those events to ASX and apply to ASX for trading in SRG Shares to be suspended from the close of trading on the Effective Date.</p> <p>The Implementation Date is currently anticipated to be 11 September 2018.</p> | Section 7.10 |
| Information about the Merged Group | | |
| What are the benefits of combining SRG and GCS to form the Merged Group? | <p>The combination of SRG and GCS creates a scale platform capable of strong cross-sell and distribution of a wide range of differentiated products and services.</p> <p>In addition, the Merged Group will have an increased services offering, increased sector diversity and an increased geographical footprint.</p> <p>The combination is expected to enable the Merged Group to realise significant cost synergies estimated to be approximately \$3 - 4 million per annum, to be realised by FY20.</p> | Section 4.1 and 10.2 to 10.10. |
| What are the risks associated with the merged group? | There are various potential risks relating to the Scheme and the Merged Group, some of which are discussed in detail in section 12 of this Scheme Booklet. | Section 12.2, 12.3 and 12.4. |
| What will be the strategy of the Merged Group? | Should the Scheme be implemented, the Merged Group's focus will be on building a leading global specialist engineering, construction and maintenance group that provides services and products across the entire asset life-cycle. | Section 10.1 |
| Who will be the Chairman of the Merged Group? | Peter Wade (the current Chairman of GCS) will be the Chairman of the Merged Group. | Section 10.12 |
| Who will be the Managing Director of the Merged Group? | David Macgeorge (the current Managing Director of SRG) will become the Managing Director of the Merged Group. | Section 10.12 |
| Who will be on the Merged Group Board? | <p>The Merged Group Board will comprise:</p> <ul style="list-style-type: none"> • Peter Wade - Non-executive Chairman (current GCS Chairman); • Peter McMorrow - Non-executive Deputy Chairman (current SRG Non-executive Chairman) • David Macgeorge - Managing Director (current SRG Managing Director); • Enzo Gullotti - Executive Director (current GCS Managing Director); • Peter Brecht - Non-executive Director (current Non-executive Director of SRG); • Michael Atkins - Non-executive Director (current Non-executive Director of SRG); and • John Derwin - Non-executive Director (current Non-executive Director of GCS). | Section 10.12 |

| Question | Answer | More information |
|---|--|------------------|
| What will the dividend policy of the Merged Group be? | It is currently intended that the Merged Group would continue to pay regular half yearly dividends, the amount of which will be determined by the Merged Group Board taking into consideration the Merged Group's financial performance and future capital requirements. | Section 10.16 |
| Other questions | | |
| What happens if a Competing Proposal is received? | <p>If a Competing Proposal is received by either of SRG or GCS, the SRG Directors or GCS Directors (as applicable) will carefully consider it.</p> <p>Either party must notify the other of that Competing Proposal in accordance with the Scheme Implementation Deed.</p> | Section 14.1 |
| Can I sell my SRG Shares now? | <p>You can sell your SRG Shares on market at any time before the close of trading on ASX on the Effective Date at the then prevailing market price.</p> <p>SRG intends to apply to ASX for SRG Shares to be suspended from trading on ASX from close of trading on the Effective Date. You will not be able to sell your SRG Shares on market after this date.</p> <p>If you sell your SRG Shares on the ASX, you may pay brokerage on the sale, you will not receive the Scheme Consideration and there may be different tax consequences compared to those that would arise if you retain those shares until the Scheme is implemented.</p> | N/A |
| Will I have to pay brokerage or stamp duty? | You will not have to pay brokerage or stamp duty on the transfer of your SRG Shares under the Scheme. | N/A |
| Where can I get further information? | <p>For further information, you can call the SRG Shareholder Information Line on 1300 070 747 (from within Australia) or +61 3 9415 4135 (from outside Australia) Monday to Friday between 9:00am and 5:00pm (Melbourne time).</p> <p>SRG is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Information disclosed to ASX by SRG is available on ASX's website at www.asx.com.au or on SRG's website at www.srglimited.com.au.</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your legal, financial, taxation or other professional adviser.</p> | Section 8.11 |

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7. OVERVIEW OF THE SCHEME

7.1 Background

On 12 June 2018, SRG announced that it had entered into the Scheme Implementation Deed with GCS, under which, subject to the satisfaction or waiver of a number of Conditions Precedent, it is proposed that GCS will acquire all of the ordinary shares in SRG pursuant to a scheme of arrangement under Part 5.1 of the Corporations Act.

A summary of the Scheme Implementation Deed is included in section 14.1 of this Scheme Booklet. This section 7 contains an overview of the Scheme.

7.2 What you will receive – an overview of the Scheme Consideration

(a) Scheme Consideration

If the Scheme is implemented, Scheme Shareholders (other than Ineligible Foreign Shareholders) will be entitled to receive the Scheme Consideration from GCS, being 2.479 New GCS Shares for each SRG Share held by each Scheme Shareholder as at the Scheme Record Date.

(b) Fractional entitlements

Where the calculation of the number of New GCS Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a New GCS Share, the fractional entitlement will be rounded down to the nearest whole number of New GCS Shares.

The details regarding fractional entitlements are set out in full in clause 5.5 of the Scheme attached as Annexure B of this Scheme Booklet.

(c) Rights and liabilities attaching to the New GCS Shares

All New GCS Shares issued to Scheme Shareholders under the Scheme will rank equally in all respects with all existing GCS Shares on issue as at the Implementation Date.

See section 9.5(b) for more details.

7.3 Provision of Scheme Consideration

GCS must:

- (a) on or before the Implementation Date, issue to each Scheme Shareholder, other than an Ineligible Foreign Shareholder, such number of New GCS Shares as that Scheme Shareholder is entitled to and procure that the name and address of each Scheme Shareholder is entered in the GCS Share Register in respect of those New GCS Shares; and
- (b) procure that on or before the date that is 10 Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New GCS Shares issued to the Scheme Shareholder pursuant to the Scheme.

For more information about the provision of the relevant consideration to Ineligible Foreign Shareholders, see section 7.15 of this Scheme Booklet.

7.4 The SRG Directors' unanimous recommendation

The SRG Directors unanimously recommend that SRG Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

The SRG Directors consider that the reasons for SRG Shareholders to vote in favour of the Scheme outweigh the reasons to vote against the Scheme. See section 4 of this Scheme Booklet for key considerations relevant to your vote.

In considering whether to vote in favour of the Scheme, the SRG Directors encourage you to:

- (a) carefully read all of this Scheme Booklet (including the Independent Expert's Report);
- (b) consider the choices available to you as outlined in section 7.9 of this Scheme Booklet;
- (c) have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- (d) obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming Effective.

Each SRG Director's interests are disclosed in section 8.8 of this Scheme Booklet.

7.5 Voting intentions of the SRG Directors

Each SRG Director intends to vote, or procure the voting of, any SRG Shares held or controlled by them, in favour of the Scheme at the Scheme Meeting to be held on 22 August 2018, in the absence of a Superior Proposal.

Details of the relevant interests of each SRG Director in SRG Shares are set out in section 8.8.

7.6 Independent Expert's conclusion

The SRG Board commissioned the Independent Expert, Lonergan Edwards & Associates Limited, to prepare the Independent Expert's Report on whether the Scheme is in the best interests of SRG Shareholders.

The Independent Expert has concluded that the Scheme is in the best interests of SRG Shareholders, in the absence of a superior proposal.

In reaching its conclusion the Independent Expert:

- (a) concluded that the collective interest SRG Shareholders will acquire in the Merged Group (of 48.8%) is broadly consistent with the relative value to be contributed by SRG Shareholders to the Merged Group. Accordingly, the Independent Expert's view is that the terms of the Merger are fair and reasonable to SRG Shareholders;
- (b) assessed the underlying value of a SRG Share on a minority interest basis to be in the range of \$1.67 to \$1.87 and the value of the Scheme Consideration on a minority interest basis to be in the range of \$1.80 to \$2.05. As the assessed value of the Scheme Consideration to be received by SRG shareholders exceeds the Independent Expert's assessment of the underlying value of a minority interest in SRG Shares, the Independent Expert's view is that from a value perspective, SRG shareholders are likely to be better off if the Merger proceeds; and
- (c) considered the advantages and disadvantages for SRG Shareholders if the Merger proceeds. The Independent Expert is of the view that the advantages of the Merger, including that SRG Shareholders will acquire an interest in a larger, more diversified business with enhanced earnings and related future prospects and the Merged Group's enhanced financial scale relative to SRG on a standalone basis, outweigh the disadvantages.

The Independent Expert's Report is set out in full in Annexure A. The SRG Board encourages you to read this report in full before deciding how to vote on the Scheme.

7.7 Conditions to the Scheme

The Scheme will not become Effective, and the obligations of GCS will not become binding, until and unless each Condition Precedent is satisfied or waived (where applicable). If a Condition Precedent is unable to be satisfied the parties have agreed to negotiate in good faith for a limited period of time to consider whether the Merger may proceed by alternative means.

The following Conditions are outstanding as at the date of this Scheme Booklet:

- (a) **Regulatory Approvals:** before 5:00pm on the Business Day before the Second Court Date, any approvals, consents, waivers, exemptions or declarations that are required by law, or by any Government Agency are granted, given or made or obtained on terms acceptable to the parties (acting reasonably) and remain in full force and effect in all respects, and have not been withdrawn, revoked, suspended, restricted or amended (or become subject to any notice, intimation or indication of intention to do any such thing) before 8:00am on the Second Court Date.
- (b) **SRG Shareholder approval:** SRG Shareholders approving the Scheme at the Scheme Meeting by the requisite majorities under subparagraph 411(4)(a)(ii) of the Corporations Act.
- (c) **Court approval:** the Court approves the Scheme in accordance with paragraph 411(4)(b) of the Corporations Act and an office copy of the Court order is lodged with ASIC as contemplated by subsection 411(1) of the Corporations Act.

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- (d) **Restraints:** between (and including) the date of the Scheme Implementation Deed and 8:00am on the Second Court Date:
- (1) there is not in effect any temporary, preliminary or final order, injunction, decision or decree issued by any court of competent jurisdiction or other Government Agency, or other material legal restraint or prohibition; and
 - (2) no action or investigation is announced, commenced or threatened by any Government Agency; in consequence of, or in connection with, the Scheme which:
 - (3) restrains, prohibits or impedes implementation of the Scheme, completion of the Merger or the rights of GCS in respect of SRG or the SRG Shares to be acquired under the Scheme; or
 - (4) requires the divestiture by GCS of any SRG Shares or the divestiture of any assets of the GCS Group or the SRG Group,
- unless such order, injunction decision, decree, action, investigation or application has been disposed of to the satisfaction of GCS and SRG acting reasonably, or is otherwise no longer effective or enforceable, by 8:00am on the Second Court Date.
- (e) **No SRG Prescribed Occurrence or Regulated Event:** no SRG Prescribed Occurrence or SRG Regulated Event occurs between (and including) the date of the Scheme Implementation Deed and 8:00am on the Second Court Date.
- (f) **No GCS Prescribed Occurrence or Regulated Event:** no GCS Prescribed Occurrence or GCS Regulated Event occurs between (and including) the date of the Scheme Implementation Deed and 8:00am on the Second Date.
- (g) **No SRG Material Adverse Change:** no SRG Material Adverse Change occurs or is discovered, announced, disclosed or otherwise becomes known to GCS between (and including) the date of the Scheme Implementation Deed and 8:00am on the Second Court Date.
- (h) **No GCS Material Adverse Change:** no GCS Material Adverse Change occurs or is discovered, announced, disclosed or otherwise becomes known to SRG between (and including) the date of the Scheme Implementation Deed and 8:00am on the Second Court Date.
- (i) **SRG Representations and Warranties:** the SRG Representations and Warranties that are qualified as to materiality are true and correct in all material respects, and the SRG Representations and Warranties that are not so qualified are true and correct in all respects, in each case as at 8:00am on the Second Court Date as though made on and as of that time, except to the extent any such representation or warranty expressly relates to an earlier date.
- (j) **GCS Representations and Warranties:** the GCS Representations and Warranties that are qualified as to materiality are true and correct in all material respects, and the GCS Representations and Warranties that are not so qualified are true and correct in all respects, in each case as at 8:00am on the Second Court Date as though made on and as of that time, except to the extent any such representation or warranty expressly relates to an earlier date.

7.8 Implications if the Scheme does not proceed

If the Scheme is not implemented:

- (a) SRG will remain listed on ASX and will continue to operate as a standalone company;
- (b) SRG Shareholders will retain their SRG Shares and will continue to be exposed to general risks as well as risks specific to SRG and the industries in which it operates; and
- (c) SRG Shareholders will not receive the Scheme Consideration.

If the Scheme is not implemented, the advantages of the Scheme described in section 4.1(a) of this Scheme Booklet will not be realised and the potential disadvantages and risks of the Scheme described in section 4.1(b) and section 12.2 of this Scheme Booklet will not arise.

Transaction related costs of approximately \$1.5 million are expected to be incurred by SRG irrespective of whether or not the Scheme has been implemented. These amounts do not include transaction or other similar costs that may be incurred by GCS and therefore the Merged Group should the Scheme proceed. Further details of the estimated costs are set out in section 14.8 of this Scheme Booklet.

7.9 Your choices as a SRG Shareholder

As a SRG Shareholder, you have four choices currently available to you, which are summarised below.

| | |
|---|--|
| <p>Vote in favour of the Scheme</p> | <p>This is the course of action unanimously recommended by the SRG Directors, in the absence of a Superior Proposal.</p> <p>If you wish to follow the SRG Directors' unanimous recommendation, you should vote in favour of the Scheme at the Scheme Meeting on 22 August 2018. For a summary of how to vote on the Scheme, please refer to section 5.2 of this Scheme Booklet, and the Notice of Scheme Meeting contained in Annexure D to this Scheme Booklet.</p> <p>If the Scheme is implemented, each Scheme Shareholder (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration.¹</p> |
| <p>Vote against the Scheme</p> | <p>If, despite the SRG Directors' unanimous recommendation and the Independent Expert's conclusion that the Scheme is in the best interests of SRG Shareholders, in the absence of a Superior Proposal, you do not support the Scheme, you may vote against the Scheme at the Scheme Meeting on 22 August 2018.</p> <p>However, if all the Conditions Precedent for the Scheme are satisfied or waived (as applicable) and the Scheme becomes Effective, the Scheme will bind all SRG Shareholders, including those who voted against the Scheme at the Scheme Meeting and those who did not vote at all.</p> |
| <p>Sell or transfer your SRG Shares</p> | <p>The existence of the Scheme does not prevent you from selling some or all of your SRG Shares on the market for cash, or transferring your shares, if you wish, provided you do so before close of trading on ASX on the Effective Date (currently proposed to be 28 August 2018), when trading in SRG Shares would end.</p> <p>If you are considering selling some or all of your SRG Shares:</p> <ul style="list-style-type: none"> • you may wish to have regard to the prevailing trading prices of SRG Shares and compare those to the Scheme Consideration. You may ascertain the current trading prices of SRG Shares through the ASX website (www.asx.com.au); and • you should contact your stockbroker for information on how to effect that sale, and you should also contact your legal, financial, taxation or other professional adviser if you require any other information or advice. <p>SRG Shareholders who sell some or all of their SRG Shares on ASX:</p> <ul style="list-style-type: none"> • may receive payment (which may differ from the Scheme Consideration) for the sale of SRG Shares sooner than they would receive the Scheme Consideration under the Scheme; • may incur a brokerage charge; • will not be able to participate in the Scheme or, if one emerges, a Superior Proposal, in respect of those SRG Shares they have sold; and • may be liable for Australian tax on the disposal of their SRG Shares (as you also may be under the Scheme – see the Tax Considerations set out at section 13 of this Scheme Booklet). |
| <p>Do nothing</p> | <p>SRG Shareholders who elect not to vote at the Scheme Meeting on 22 August 2018 or do not sell their SRG Shares on market will:</p> <ul style="list-style-type: none"> • if the Scheme is implemented, have their Scheme Shares transferred to GCS by operation of the Scheme and (other than Ineligible Foreign Shareholders) receive the Scheme Consideration under the Scheme of 2.479 New GCS Shares per Scheme Share; or • if the Scheme is not implemented, retain their SRG Shares. |

¹The Scheme Consideration is subject to rounding for fractional entitlements. Ineligible Foreign Shareholders will not be entitled to receive any New GCS Shares and will instead receive cash proceeds (net of any reasonable brokerage or other selling costs, taxes and charges) from the sale by the Nominee of the New GCS Shares which an Ineligible Foreign Shareholder would otherwise have been entitled to receive. See section 7.15 of this Scheme Booklet for further information about how those cash proceeds will be distributed to Ineligible Foreign Shareholders.

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7.10 Scheme procedure

(a) Scheme approval requirements

The Scheme will only become effective and be implemented if it is:

- (1) approved by the Requisite Majorities of SRG Shareholders at the Scheme Meeting to be held on 22 August 2018;
- (2) approved by the Court at the Second Court Hearing; and
- (3) the conditions in relation to the Scheme outlined in section 7.7 of this Scheme Booklet are satisfied or waived (as appropriate).

The Requisite Majorities of SRG Shareholders necessary to approve the Scheme are:

- (4) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by SRG Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate SRG Shareholders, body corporate representative); and
- (5) a majority in number (more than 50%) of SRG Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate SRG Shareholders, body corporate representative) - it should be noted that the Court has the power to waive this requirement.

(b) Scheme Meeting

The Court has ordered SRG to convene the Scheme Meeting at which SRG Shareholders will be asked to approve the Scheme.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure D of this Scheme Booklet.

The fact that the Court has ordered the Scheme Meeting to be convened and has approved this Scheme Booklet required to accompany the Notice of Scheme Meeting does not mean that the Court has prepared, or is responsible for the content of, this Scheme Booklet or has any view as to the merits of the Scheme or as to how SRG Shareholders should vote. On these matters SRG Shareholders must reach their own decision.

(c) Attendance at Scheme Meeting

The entitlement of SRG Shareholders to attend and vote at the Scheme Meeting is set out in the Notice of Scheme Meeting in Annexure D of this Scheme Booklet.

Instructions on how to attend and vote at the Scheme Meeting to be held on 22 August 2018 at the River Room, Royal Perth Yacht Club Australia II Drive, Crawley, 6009, Western Australia (in person, by proxy, or in person through an attorney or corporate representative) are set out in the Notice of Scheme Meeting.

Voting is not compulsory. However, the SRG Directors unanimously recommend that SRG Shareholders vote in favour of the Scheme in the absence of a Superior Proposal.

The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to ASX (www.asx.com.au) once available.

(d) Court approval of the Scheme

In the event that:

- (1) the Scheme is approved by the Requisite Majorities of SRG Shareholders at the Scheme Meeting (see section 7.10(a) of this Scheme Booklet for the Scheme approval requirements); and
- (2) all Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (if they are capable of being waived),

then SRG will apply to the Court for orders approving the Scheme.

Each SRG Shareholder has the right to appear at the Second Court Hearing.

(e) Effective Date

If the Court approves the Scheme, the Scheme will become effective on the Effective Date, being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. SRG will, on the Scheme becoming effective, announce that on ASX.

SRG intends to apply to ASX for SRG Shares to be suspended from trading on ASX from close of trading on the Effective Date.

(f) **Scheme Record Date and entitlement to Scheme Consideration**

Those SRG Shareholders on the SRG Share Register on the Scheme Record Date (currently proposed to be 5:00pm on 4 September 2018) (other than Ineligible Foreign Shareholders) will be entitled to receive the Scheme Consideration in respect of the SRG Shares they hold at that time.

(g) **Implementation Date**

Scheme Shareholders will be issued the Scheme Consideration on the Implementation Date (currently proposed to be 11 September 2018). Immediately after the Scheme Consideration is issued to Scheme Shareholders the Scheme Shares will be transferred to GCS.

(h) **Deed Poll**

As at the date of this Scheme Booklet, a Deed Poll has been entered into by GCS, in favour of the Scheme Shareholders, to:

- (1) provide the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- (2) undertake all other actions attributed to it under the Scheme.

A copy of the Deed Poll is contained in Annexure C of this Scheme Booklet.

7.11 Treatment of SRG Performance Rights

SRG has granted the SRG Performance Rights to eligible employees as part of its employee incentive initiatives. The SRG Performance Rights were granted to provide employees with long term incentive awards, which are designed to reward employees and align their interests with the interests of SRG Shareholders.

As at the Last Practicable Date there were 4,950,000 SRG Performance Rights on issue, 4,250,000 of which were granted under the SRG Incentive Performance Rights Plan approved by SRG Shareholders on 16 November 2016, and the remaining 700,000, granted under the SRG Long Term Incentive Plan approved by SRG Shareholders on 19 November 2014.

If the Scheme is approved, all of the SRG Performance Rights will vest and will be converted into SRG Shares before the Scheme Record Date, so that the SRG Shares issued on the conversion of the SRG Performance Rights will participate in the Scheme (and there will be no outstanding SRG Performance Rights on issue as at implementation of the Scheme).

7.12 Treatment of SRG Options

SRG has granted the SRG Options to eligible employees and directors as part of its employee incentive initiatives. As at the Last Practicable Date there were 965,000 SRG Options on issue, of which 365,000 were subject to vesting conditions. In accordance with the SRG Incentive Option Plan approved by SRG Shareholders on 16 November 2016, following approval of the Scheme by the Court, those 365,000 SRG Options will automatically vest.

The holders of all SRG Options have agreed that they will exercise their options prior to the Scheme Record Date, so that the SRG Shares issued on the exercise of the SRG Options will participate in the Scheme (and there will be no outstanding SRG Options on issue as at implementation of the Scheme).

7.13 Australian tax implications

Each SRG Shareholder's tax position is different. Therefore, SRG Shareholders are urged to seek their own independent tax advice regarding the specific tax consequences of the Scheme, including the applicability and effect of income and other tax laws in their particular circumstances.

A summary of the general Australian income tax, stamp duty and GST consequences for SRG Shareholders who participate in the Scheme is set out in section 13 (Taxation Considerations). However, SRG Shareholders should not rely on the summary in section 13 in substitution for specific advice on their own affairs.

7.14 Copy of the SRG Share Register

Under sections 169 and 173 of the Corporations Act, any SRG Shareholder has a right to inspect, and to ask for a copy of, the SRG Share Register which contains details of the name and address of each SRG Shareholder. SRG may require a SRG Shareholder to provide reasons for their request prior to providing a copy of the SRG Share Register, and a SRG Shareholder must not use any information obtained for an improper purpose. A copy of the SRG Share Register will be given to any SRG Shareholder upon request and payment of the prescribed fee under the Corporations Act where SRG is satisfied that the details provided are not likely to be used for an improper purpose.

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7.15 Ineligible Foreign Shareholders

Restrictions in certain foreign countries may make it impractical or unlawful for New GCS Shares to be offered, or issued, under the Scheme to SRG Shareholders in those countries.

An Ineligible Foreign Shareholder means a SRG Shareholder whose address as shown in the SRG Register on the Scheme Record Date is a place outside of both Australia (and its external territories) and any Permitted Foreign Jurisdiction. GCS is not obliged to issue, and will not issue, any New GCS Shares to any Ineligible Foreign Shareholder, unless GCS is satisfied, (acting reasonably and in consultation with SRG), that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New GCS Shares when the Scheme becomes Effective.

The New GCS Shares that would have been issued to these Ineligible Foreign Shareholders will instead be issued to the Nominee on the Implementation Date. GCS will procure that, as soon as reasonably practicable on or after the Implementation Date, the Nominee:

- sells on ASX all of the New GCS Shares issued to the Nominee in relation to Ineligible Foreign Shareholders in such manner, at such prices and on such other terms as the Nominee reasonably determines; and
- remits to SRG the proceeds of that sale (after deducting any reasonable brokerage or other selling costs, taxes and charges) (**Cash Proceeds**).

Promptly after receiving the cash Proceeds in respect of the sale of all of the New GCS Shares, SRG must pay, or procure the payment, to each Ineligible Foreign Shareholder, of the amount 'A' calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where

- B** the number of New GCS Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which were issued to the Nominee
- C** the total number of New GCS Shares which would otherwise have been issued to all Ineligible Foreign Shareholders and which were issued to the Nominee
- D** the Cash Proceeds (as defined above)

7.16 Warranty by Scheme Shareholders

Under the Scheme, each Scheme Shareholder is deemed to have warranted to SRG and GCS that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of the transfer of them to GCS, be fully paid and free from all encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and transfer their Scheme Shares (including any rights and entitlements to attaining to those shares) to GCS under the Scheme.

In addition, the Scheme provides that, to the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under the Scheme to GCS will, at the time of transfer of them to GCS vest in GCS free of all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

7.17 Delisting of SRG

If the Scheme becomes Effective, SRG will apply for suspension from the close of trading on the Effective Date and for termination of the official quotation of SRG Shares on ASX by the close of trading on the trading day immediately following the Implementation Date.

8. PROFILE OF THE SRG GROUP

8.1 Overview of SRG

(a) Introduction

SRG is an ASX-listed Specialist Engineering, Construction and Maintenance group with five business streams – Civil, Building, Asset Services, Mining and Products.

SRG started with the installation of rock anchors on the Snowy Mountain Scheme in 1961, and today SRG is a global company, built to take on challenging and complex infrastructure and mining projects. Its vision is Making the Complex Simple, and with employees located across Australia and internationally, SRG is able to bring a combination of engineering, innovation, construction and technical excellence to every project it undertakes.

SRG is led by a board and senior management comprised of experienced professionals in infrastructure, civil and mining services industries. This leadership has overseen growth in SRG's customer, sector and geographical footprint.

Some of SRG's recent highlights include:

- large infrastructure projects on the East Coast of Australia including Bolivia Hill, Emigrant Creek and Keepit Dam;
- a significant strategic push into New Zealand through its \$32.9 million 2018 acquisition of the TBS Group, a specialised industrial contractor in asset and infrastructure maintenance services;
- achieving record asset utilisation and new contracts in mining;
- winning a \$22.8 million joint venture contract for the Margaret River Perimeter Road project as well as delivering various bridge projects for Main Roads Western Australia;
- winning a \$26.5 million international LNG tank project with Hyundai Engineering & Construction Co. Ltd;
- successfully delivering significant restoration projects in Melbourne on Flinders Street Station and the Palais Theatre; and
- reaching and signing an agreement with Traylor Bros. Inc. to target dam strengthening work in the US and Canada.

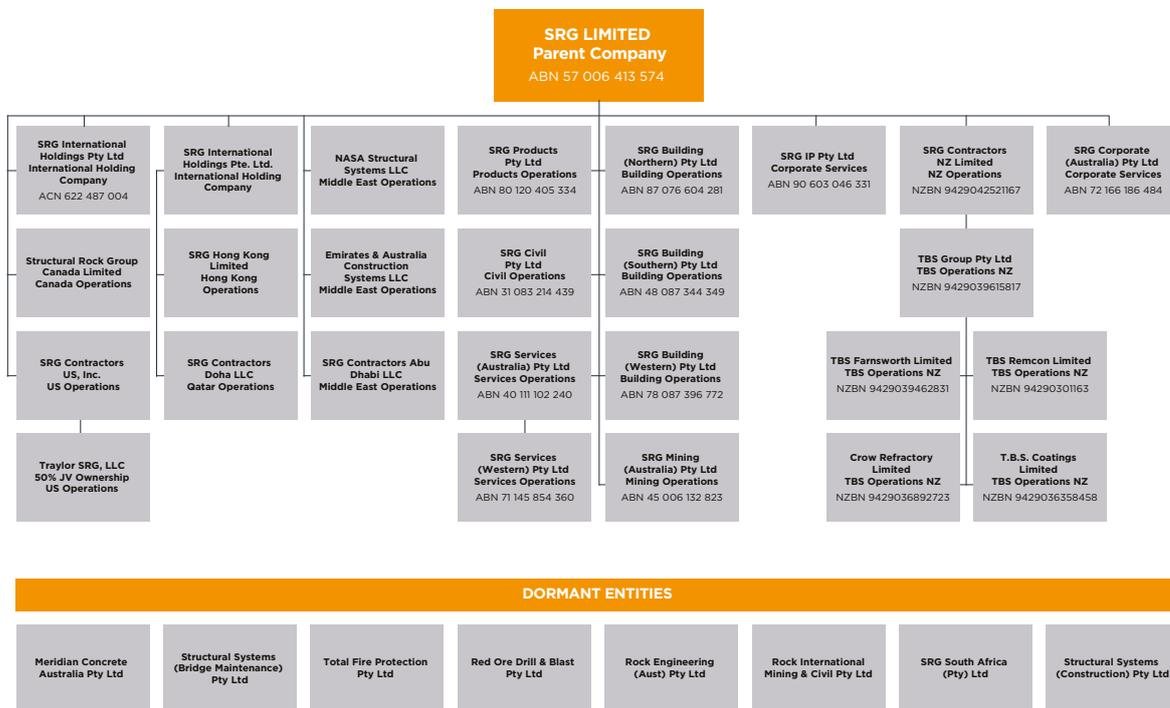
SRG has five business streams as set out at section 8.1(c) below. In each area of its operations, SRG is defined by five core values that guide SRG's thinking, behaviour and decision making. These values are:

- **Zero Harm:** looking out for colleagues, the environment and things that SRG owns;
- **Innovation:** aiming to solve the complex problems and continually challenging what is considered possible;
- **Integrity:** acting with honesty and accountability at all times;
- **Team-work:** working intelligently and collaboratively towards SRG's vision; and
- **Excellence:** anywhere, anytime and in any task.

(b) Corporate structure

The following entities are Subsidiaries of SRG.

SRG Group structure diagram²



(c) Overview of assets and operations

SRG provides complex services across five business streams, being:

- Civil:** SRG's civil team provides highly innovative engineering solutions, specialising in bridges, dams, tanks, geotech and other complex structures. SRG is able to act as both a main contractor or specialist provider depending on the project;
- Mining:** SRG provides a suite of mining services, including being one of the largest drill and blast companies in Australia with a track record of safety and efficiency, a ground support business focused on wall support and rock fall protection services, and a 24/7 monitoring products business applying advanced radars, cameras and satellite technology;
- Building:** SRG is a market leader in post tensioned reinforcement in concrete slabs which results in a more efficient use of concrete and steel. SRG is able to deliver a full design and construct package service through an in-house engineering capability;
- Products:** SRG's products business is focussed on mining and construction products. This includes two manufacturing facilities along with a number of innovative in-house designed products manufactured off-shore and a number of other specialist products sold under licence / agency agreements; and
- Asset Services:** SRG has an extensive specialised asset maintenance services business focussed on maintenance of structures including bridges, building, marine, transmission towers, dairy, oil & gas, refractories, wind farms and heritage facades both under a term contract recurring basis and project basis.

²SRG holds a 100% legal and economic interest in each of the entities listed in the SRG group structure diagram other than: Traylor SRG, LLC (in which SRG holds a 50% legal and economic interest), NASA Structural Systems LLC (in which SRG holds a 49% legal interest and a 100% economic interest); Emirates & Australia Construction Systems LLC (in which SRG holds a 49% legal interest and a 100% economic interest); SRG Contractors Abu Dhabi LLC (in which SRG holds a 49% legal interest and a 100% economic interest), and SRG Contractors Doha LLC (in which SRG holds a 49% legal interest and a 100% economic interest).

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Figure 1: SRG business segments and capabilities

| INFRASTRUCTURE | | | RESOURCES | |
|---|---|---|---|---|
|  |  |  |  |  |
| CIVIL | BUILDING | SERVICES | PRODUCTS | MINING |
| Dam Strengthening | Post-Tensioning | Infrastructure Strengthening | Macalloy Bar | Drill and Blast |
| Bridge Construction | Slab on Ground | Facade Refurbishment | SureLok | Geotech |
| Tank and Silo Construction | Industrial Pavements | Concrete Repair | Monitoring | Monitoring |
| Heavy Lifting | Multistorey Post-Tensioning | Monitoring & Diagnosis | Concrete Canvas | Engineering |
| Load Handling | Slipform | Precision Grouting | Rock Mesha | Technical Access |
| Slipform | Reinforcement | Cathodic Protection | Ground Support Products | Mine Infrastructure |
| Stay Cables | Remedial | Waterproofing | Geotechnical Equipment | Open Pit |
| Geotech | | Specialised Services | Ducting / Chairs | Civil |
| Bridge Maintenance | | | Barrel and Wedges | Ground Support |
| Ground Anchors | | | Castings | Remedial |

(d) **Customer and Geographic overview**

SRG is a global business with a diversified customer base across its different business segments. The company provides specialist engineering and construction services through its offices located across Australia, New Zealand, North America, Hong Kong, and the Middle East. Its customer base includes tier 1 organisations that are leaders in their respective markets and in many instances the relationship has been both collaborative and long term. In addition a number of these key relationships have extended across multiple jurisdictions and been engaged across different aspects of the SRG service offering.

SRG's major customers across civil, building and services include Lendlease, Scentre Group, Multiplex, Probuild, Built, WBHO, Georgiou and the Water Corporation.

SRG's main customers across mining and products include Evolution Mining, BGC Contracting, Peabody and CPB Contractors.

SRG's major international customers and partners include Hyundai Engineering & Construction, Group Five and Traylor Bros.

Figure 2: SRG global footprint



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(e) **SRG's strategy**

SRG has a clear strategy, comprising three key phases being Foundation, Development and Market Leadership. A high level summary of the SRG Strategy, broken down into the three key phases, is shown below;

Figure 3: SRG strategy

| FOUNDATION 2015 | DEVELOPMENT 2016 - 2019 | MARKET LEADERSHIP 2020 + |
|---|---|---|
| Develop vision / strategy ✓ | Execute strategy | Zero Harm industry leader |
| Drive Zero Harm ✓ | Projects delivered above green sheet | Global complex service partner of choice |
| Right structure / capability ✓ | Secure infrastructure projects of scale | Strong brand |
| Develop brand / value proposition ✓ | Organic growth in target markets | Employer of choice |
| Rigorous review mechanisms in place ✓ | Growth in complementary services / markets | ASX top 200 |
| Formalise relationships with key stakeholders ✓ | Selective acquisitions to accelerate growth | Consistent performance |
| Drive improvement / efficiency ✓ | Brand recognition | Above market returns |
| Resolve legacy issues ✓ | | Diversified international specialist contractor |

Beyond 2020 SRG has aspirations to a market leadership position, being an employer of choice with a strong brand and being an ASX 200 performer with consistent above-market returns to shareholders.

SRG is currently in the Development phase of the strategy which is focused on:

- infrastructure projects of scale;
- growth in complementary services / markets;
- organic growth in target markets; and
- selective acquisitions to accelerate growth.

The business stream focus is broken down into three key elements of step change growth, expansion and optimisation / efficiency set out below;

Figure 4: SRG business stream focus

| | | |
|--------------------------------------|----------------------|--|
| STEP CHANGE GROWTH | CIVIL | Secure specialised infrastructure construction projects of scale in transport, water & energy sectors. |
| | SERVICES | Drive step change growth in infrastructure remediation through innovative specialist solutions. |
| EXPANSION | INTERNATIONAL | Grow and expand geographical footprint through leveraging core capability and key partnerships. |
| | PRODUCTS | Expand portfolio through new product development (Monitoring, Construction, Geotechnical). |
| OPTIMISATION & EFFICIENCY | MINING | Optimise assets and operational efficiency, cross sell additional services & drive selective growth. |
| | BUILDING | Maintain market leadership, leverage alliances & drive operational efficiency. |

SRG's strategy is firmly on track, with the proposed Scheme being another step forward in achieving its strategic goals.

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8.2 Board and senior management

(a) SRG Board

The directors of SRG are listed below. Further information on each of the SRG directors who will be on the Merged Group Board is contained in section 10.12(a) of this Scheme Booklet.

| Name | Current position |
|-----------------|------------------------|
| Peter McMorrow | Non-executive Chairman |
| David Macgeorge | Managing Director |
| Robert Freedman | Non-executive Director |
| Peter Brecht | Non-executive Director |
| Michael Atkins | Non-executive Director |

(b) SRG senior management

SRG's current senior management comprises the following members. Further information on David Macgeorge, who will be the Managing Director of the Merged Group, is provided in section 10.12(b) of this Scheme Booklet.

| Name | Current position |
|-----------------|---|
| David Macgeorge | Managing Director |
| Roger Lee | Chief Financial Officer and Company Secretary |
| Joe Thomas | Executive General Manager Mining, Building and Products |
| Nick Combe | Executive General Manager Construction |
| Mike Clarke | Executive General Manager International |
| Corey Maranesi | Group General Manager Corporate Services |
| Ben Davis | Group General Manager People & QSET |

8.3 Historical financial information

(a) Basis of preparation

The selected historical financial information in this section has been extracted from SRG's audited financial statements for the years ended 30 June 2016 and 30 June 2017 and the reviewed interim financial statement for the six month period ended 31 December 2017.

The information in this section is a summary only and has been prepared solely for inclusion in this Scheme Booklet. The full financial accounts for SRG covering financial years 30 June 2016 and 30 June 2017 (inclusive of all notes) have been published in SRG's audited financial statements.

(b) Historical consolidated statement of profit or loss

| (A\$'000) | 30-Jun-16 | 30-Jun-17 | 6 months 31-Dec-17 |
|--|-----------|-----------|-----------------------|
| Revenue | 177,855 | 230,009 | 105,297 |
| Construction and servicing costs | (70,559) | (109,597) | (41,105) |
| Depreciation and amortisation expense | (5,404) | (5,025) | (3,071) |
| Employee benefit expense | (81,501) | (96,515) | (51,254) |
| Other gains | 1,005 | 5,301 | 394 |
| Other expenses | (11,856) | (12,336) | (7,004) |
| Finance cost | (309) | (285) | (212) |
| Profit before income tax expense | 9,231 | 11,552 | 3,045 |
| Income tax expense | (3,033) | (3,726) | (641) |
| Profit attributable to member of the parent entity | 6,198 | 7,826 | 2,404 |

(c) **Historical consolidated statement of cash flows**

| (A\$'000) | 30-Jun-16 | 30-Jun-17 | 6 months 31-Dec-17 |
|---|----------------|----------------|-----------------------|
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | 186,546 | 244,162 | 117,175 |
| Cash payments in the course of operations | (173,372) | (232,545) | (117,306) |
| Cash (payments) in relation to Eastern Treatment Plant settlement (net) | (9,750) | - | - |
| Interest received | 375 | 154 | 67 |
| Finance costs | (309) | (285) | (212) |
| Income tax (paid) / received | 389 | (4,528) | (1,996) |
| Net cash provided by operating activities | 3,879 | 6,958 | (2,272) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | (2,293) | (5,913) | (1,645) |
| Proceeds from sale of property, plant and equipment | 565 | 8,212 | 110 |
| Payment for business acquisition (net of cash acquired) | (2,113) | - | - |
| Net cash provided by / (used in) investing activities | (3,841) | 2,299 | (1,535) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | - | 493 | 606 |
| Proceeds from finance lease, buy back non-current assets | - | 360 | (1,553) |
| Repayment of borrowings | (5,510) | (2,926) | (1,964) |
| Dividends paid by parent entity | (1,573) | (4,489) | (2,615) |
| Net cash (used in) financing activities | (7,083) | (6,562) | (5,526) |
| Net increase / (decrease) in cash and cash equivalents held | (7,045) | 2,695 | (9,333) |
| Effect of exchange rates on cash and cash equivalent holdings | (421) | (106) | 23 |
| Cash and cash equivalents at beginning of financial year | 29,326 | 21,860 | 24,449 |
| Cash and cash equivalents at end of financial year | 21,860 | 24,449 | 15,139 |

(d) Historical consolidated statement of financial position

| (A\$'000) | 30-Jun-16 | 30-Jun-17 | 31-Dec-17 |
|---|----------------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 21,860 | 24,449 | 15,139 |
| Trade and other receivables | 39,938 | 49,691 | 46,748 |
| Inventories | 9,942 | 9,710 | 9,966 |
| Current tax assets | - | - | 1,582 |
| Other current assets | 653 | 1,588 | 2,891 |
| Investments accounted for using the equity method | - | - | 394 |
| Assets classified as held for sale | 4,056 | - | - |
| Total current assets | 76,449 | 85,438 | 76,720 |
| Non-current assets | | | |
| Property, plant and equipment | 21,997 | 28,964 | 31,117 |
| Intangible assets | 22,966 | 22,966 | 22,966 |
| Deferred tax assets | 4,040 | 3,256 | 1,895 |
| Total non-current assets | 49,003 | 55,186 | 55,978 |
| Total assets | 125,452 | 140,624 | 132,698 |
| Current liabilities | | | |
| Trade and other payables | 28,089 | 34,954 | 26,722 |
| Borrowings | 2,411 | 2,986 | 4,993 |
| Current tax liability | 2,175 | 1,464 | - |
| short term provisions | 7,280 | 8,292 | 6,036 |
| Total current liabilities | 39,955 | 47,696 | 37,751 |
| Non-current liabilities | | | |
| Borrowings | 1,217 | 5,843 | 7,191 |
| Deferred tax liabilities | 1,401 | - | - |
| Long term provisions | 1,972 | 737 | 769 |
| Total non-current liabilities | 4,590 | 6,580 | 7,960 |
| Total liabilities | 44,545 | 54,276 | 45,711 |
| Net assets | 80,907 | 86,348 | 86,987 |
| Equity | | | |
| Issued capital | 40,477 | 41,311 | 42,424 |
| Reserves | 2,759 | 2,114 | 1,745 |
| Retained earnings | 37,671 | 42,923 | 42,818 |
| Total equity | 80,907 | 86,348 | 86,987 |

(e) **Material changes in financial position (since 31 December 2017)**

SRG's most recent published financial statements are the reviewed financial statements for the period ended 31 December 2017.

On 5 April 2018, SRG announced the acquisition of TBS Group for cash consideration of approximately \$32.9 million excluding estimated completion adjustments expected to be payable by SRG of \$3 million. The final purchase price is pending the finalisation of completion statement adjustments, with the final completion adjustment not expected to be materially different from the estimated \$3 million. For more detail on the effects of the TBS Group acquisition on the SRG financial position, please refer to section 11.6.

Other than as disclosed in this Scheme Booklet, within the knowledge of the SRG Board, the financial position of SRG has not materially changed since 31 December 2017.

8.4 Capital structure

As at the Last Practicable Date, the issued securities of SRG are as follows:

| Type of security | Number on issue |
|------------------------|-----------------|
| SRG Shares | 81,573,611 |
| SRG Options | 965,000 |
| SRG Performance Rights | 4,950,000 |

8.5 SRG's substantial shareholders

As at the Last Practicable Date, SRG had received notifications from the following substantial shareholders in accordance with section 671B of the Corporations Act:

| Substantial holder | Number of SRG Shares | Voting power |
|---|----------------------|--------------|
| IOOF Holdings Limited and its subsidiaries | 7,767,890 | 9.527% |
| Peter McMorrow, the McMorrow Superannuation Fund, Mrs B A McMorrow and the McMorrow Trust | 4,565,844 | 5.6% |

8.6 Financing arrangements

As at 30 May 2018, SRG had financing facilities with a total size of \$52.5 million, with \$39.5 million drawn (\$12.5 million of which are for bank guarantees and letters of credits) and \$13 million undrawn.

The \$52.5 million of facilities are comprised of:

- (a) a \$36.2 million facility from NAB which is a comprehensive borrowing facility including bank overdraft, hire purchase, letter of credit, corporate credit card, TBS Group acquisition loan and bank guarantee facilities; and
- (b) a total of \$16.3 million of hire purchase facilities from CBA, ANZ and Westpac.

Additionally, SRG also has \$117.1 million surety bond facilities with various financiers of which \$16.6 million were drawn as at 30 May 2018.

SRG's financing facilities are secured by a registered first mortgage over SRG's land and buildings and registered mortgage debenture over all assets of SRG and an interlocking guarantee and indemnity between all entities within the SRG Group.

8.7 SRG FY18 outlook, final dividend and dividend policy

(a) **FY18 outlook**

SRG expects to achieve FY18 underlying EBITDA of \$18 - 20 million (excluding one-off costs)³ including a \$1.8 - 2.0 million contribution from the TBS Group acquisition which was completed in April 2018.

SRG is proposing to release its preliminary final report (Appendix 4E) for the year ended 30 June 2018 to ASX on or about 14 August 2018.

³One-off costs represent redundancy costs and costs associated with the TBS Group acquisition and the Merger.

(b) **FY18 final dividend**

Prior to the implementation of the Scheme, SRG intends to pay a FY18 final dividend consistent with the historical practice of between 50-60% of NPAT, which is not contingent on the Scheme proceeding (**SRG Permitted Dividend**). As at the date of this Scheme Booklet no final decision has been made by the SRG Board in respect of whether to declare and pay a SRG Permitted Dividend or the amounts of any such dividend. SRG will make a separate announcement regarding any FY18 final dividend following the SRG board determining the final amount of any dividend.

(c) **SRG historical dividends**

| Payable date | Record date | Cents per share | Franking | Type |
|--------------|-------------|-----------------|----------|-------------------|
| 20-Apr-18 | 14-Mar-18 | 2 | 100% | Ordinary dividend |
| 13-Oct-17 | 13-Sep-17 | 4 | 100% | Ordinary dividend |
| 20-Apr-17 | 14-Mar-17 | 3 | 100% | Ordinary dividend |
| 14-Oct-16 | 16-Sep-16 | 4 | 100% | Ordinary dividend |
| 20-Apr-16 | 15-Mar-16 | 2 | 100% | Ordinary dividend |

8.8 Information relating to SRG Directors

(a) **Relevant interests of SRG Directors in SRG securities**

| SRG Director | Number of SRG Shares | Market value as a multiple of annual board fees (FY17 fixed fee) | Number of SRG Performance Rights and Options |
|-----------------|----------------------|--|--|
| Peter McMorrow | 4,565,844 | 31.5 | - |
| David Macgeorge | 1,359,294 | 3.7 | 2,300,000, SRG Performance Rights |
| Robert Freedman | 1,099,136 | 26.2 | 200,000 SRG Options |
| Peter Brecht | 718,250 | 16.4 | - |
| Michael Atkins | 100,000 | 2.2 | 200,000 SRG Options |

(b) **Dealings of SRG Directors in SRG Shares**

The following SRG Directors acquired a Relevant Interest in SRG Shares in the four month period ending on the Last Practicable Date:

| Director | Number of SRG Shares acquired | Transaction |
|----------------|-------------------------------|-----------------------------------|
| Peter McMorrow | 3,939 | Issue of SRG Shares on 3 May 2018 |
| Peter Brecht | 3,939 | Issue of SRG Shares on 3 May 2018 |

Other than as set out in the table above, no SRG Director has acquired or disposed of a Relevant Interest in any SRG Shares in the four month period ending on the Last Practicable Date.

As set out in sections 7.11 and 7.12, SRG Directors who hold SRG Performance Rights and SRG Options will acquire SRG Shares on the exercise of those rights prior to the Scheme Record Date.

(c) **Interests of SRG Directors in GCS securities**

As at the Last Practicable Date, no SRG Director has any interest in GCS securities.

(d) **Dealings of SRG Directors in GCS securities**

No SRG Director has acquired or disposed of a Relevant Interest in any GCS Shares in the four month period ending on the Last Practicable Date.

(e) **Benefits and agreements**

(1) **Benefits in connection with retirement from office**

No payment or other benefit is proposed to:

- be made or given to any director, company secretary or executive officer of SRG as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in SRG or in a Related Body Corporate of SRG; or

- be made or given to any director, company secretary or executive officer of any Related Body Corporate of SRG as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in that Related Body Corporate of SRG or in SRG,

in connection with the Scheme.

(2) **Remuneration in connection with appointment to the Merged Group Board**

In respect of those SRG Directors who are appointed to the Merged Group Board post implementation of the Scheme, it is anticipated that they would receive reasonable remuneration and expense reimbursement for their services as Merged Group directors.

(3) **Agreements connected with or conditional on the Scheme**

Other than as set out in sections 7.11 and 7.12 of this Scheme Booklet in relation to SRG's incentive plans, there are no agreements or arrangements made between any SRG Director and any other person in connection with, or conditional on, the outcome of the Scheme.

(4) **Interests of SRG Directors in contracts with GCS**

None of the SRG Directors has any interest in any contract entered into by GCS or any Related Body Corporate of GCS.

(5) **Benefits from GCS**

None of the SRG Directors has agreed to receive, or is entitled to receive, any benefit from GCS, or any Related Body Corporate of GCS, which is conditional on, or is related to, the Scheme.

8.9 SRG Share price

SRG is a public company limited by shares that has been admitted to the official list of ASX. SRG is listed on ASX under the code "SRG".

The Scheme was announced by SRG to the market on 12 June 2018. The last recorded closing price for SRG Shares on ASX before the public announcement of the Scheme was \$1.885 (on Friday, 8 June 2018).

The closing price of SRG Shares on ASX on 13 July 2018, being the Last Practicable Date before the date of this Scheme Booklet was \$1.73.

SRG's highest and lowest recorded daily closing share prices within the 3 month period preceding the Last Practicable Date were, respectively \$2.01 on 21 May 2018 and \$1.72 on 13 and 14 June 2018.

SRG's current share price can be found at the ASX's website at www.asx.com.au.

8.10 Litigation

As at the date of this Scheme Booklet, SRG is not aware of any material contractual disputes or litigation in respect of SRG, including with its customers or other third parties.

8.11 Continuously disclosing entity

SRG is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, SRG is subject to the Listing Rules which require (subject to some exceptions) continuous disclosure of any information that SRG has that a reasonable person would expect to have a material effect on the price or value of SRG shares.

ASX maintains files containing publicly disclosed information about all entities listed on ASX. Information disclosed to ASX by SRG is available on the ASX's website at www.asx.com.au.

In addition, SRG is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by SRG may be obtained from a search of ASIC's records.

SRG's Shareholders may obtain a copy of SRG's 2017 Annual Report (including its audited financial statements in respect of the year ended 30 June 2017) from ASX's website (asx.com.au), from SRG's website (<http://www.srglimited.com.au/investor-relations/financial-reports.html>) or by calling SRG on +61 8 9267 5400 (outside Australia) or 1300 775 477 (within Australia).

9. PROFILE OF THE GCS GROUP

9.1 Overview of GCS

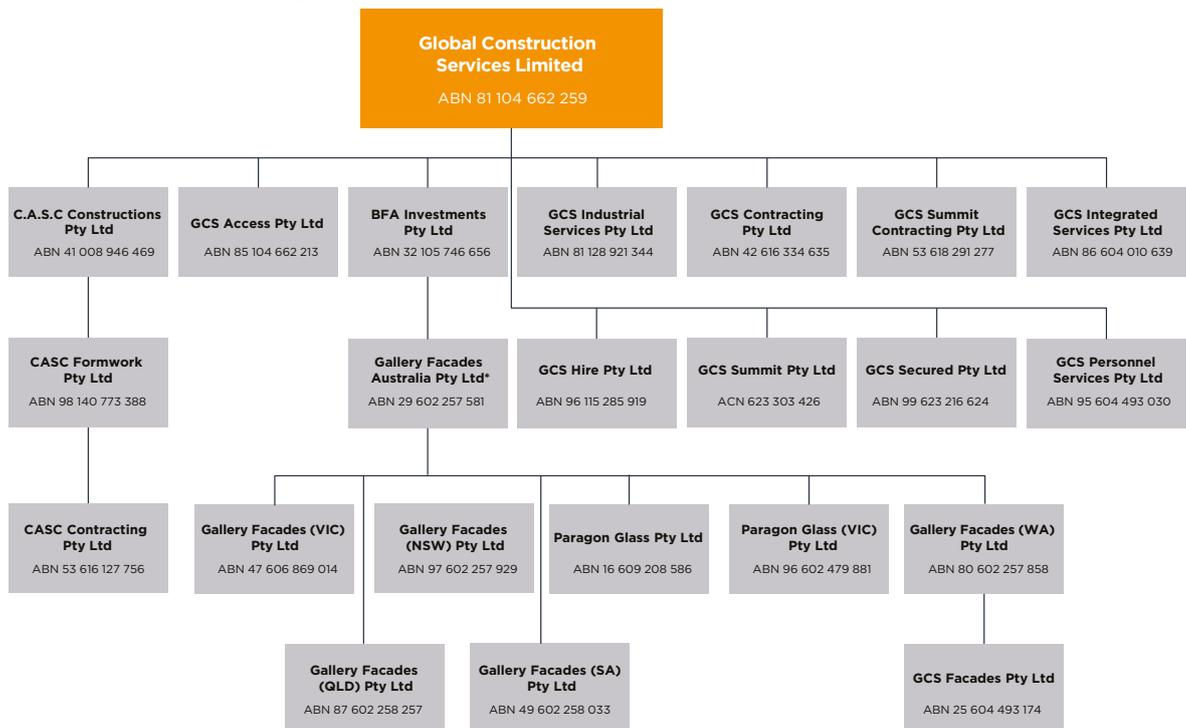
(a) Introduction

The information contained in this section 9 has been prepared by GCS. The information concerning the GCS Group and the intentions, views and opinions in this section are the responsibility of GCS. SRG, the SRG Directors and SRG's officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

(b) Corporate structure

The corporate structure of the GCS Group as at the Last Practicable Date is set out in the chart below:

GCS Group structure diagram



* GCS acquired the remaining 49% of the ordinary shares and voting rights in Gallery Facades that it did not already own on 4 June 2018. Whilst GCS now holds 100% of the ordinary shares and voting rights in Gallery Facades, the vendors continue to hold redeemable preference shares in Gallery Facades (which do not carry voting rights) as part of earn-out arrangements in connection with the acquisition of the initial 51% of Gallery Facades. Refer to section 9.4(e), and GCS's ASX announcement of 4 June 2018, for further information.

(c) Overview of assets and operations

Established in 2003 and listed on ASX in 2007, GCS is an Australian Construction, Maintenance and Infrastructure Services group that offers a diverse range of integrated services to industries including the construction, infrastructure, industrial and resources sectors.

GCS is headquartered in Western Australia and employs approximately 930 staff (including subcontractors) across Australia.

GCS has undertaken a significant transformation in the last two years, which has included:

- expanding its Formwork/Structures business in the construction sector from a Western Australian footprint to a national footprint
- focusing its GCS Access business (rope access/scaffolding) on the oil & gas and mining sectors

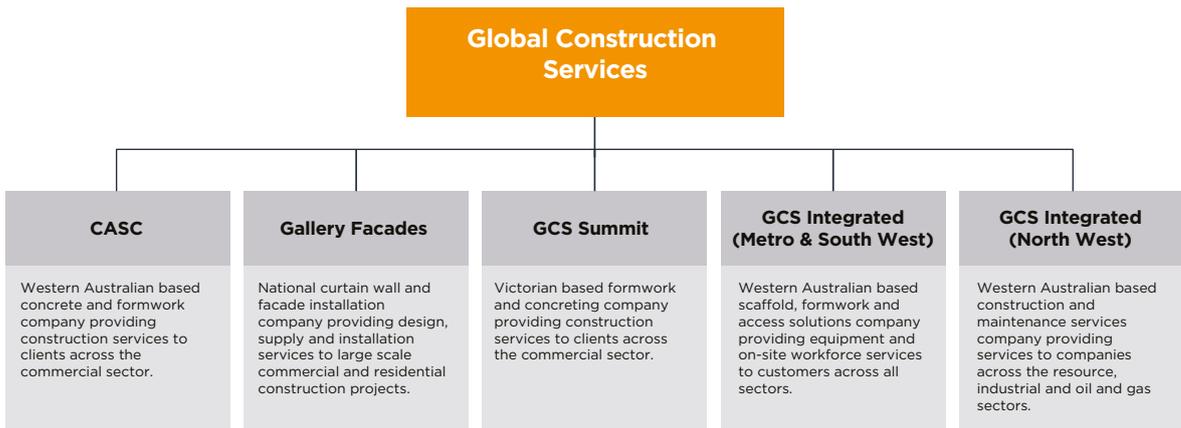
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- acquiring a leading Australian façade construction business focused on delivery to blue chip tier 1 building companies
- exiting its capital intensive equipment rental business through the sale to Onsite Rental
- establishing an improved and stronger balance sheet from a net debt position to a net cash position of \$42 million and \$132 million of net tangible assets (as at 31 December 2017).

This has now strategically positioned GCS as a service business with low levels of growth/maintenance capital expenditure, targeting commercial, infrastructure and resources construction, in parallel to shutdown/maintenance support services in the infrastructure, mining and oil & gas sectors across Australia.

The Group operates five divisions as follows:

Figure 5: GCS operating divisions



In the ordinary course of GCS's business and having regard to its strategy (see section 9.1(e) below about this), GCS tenders for various projects and contracts. If a tender is awarded to GCS, GCS then proceeds to negotiate binding agreements for the project or contract with the relevant counterparty.

Typically, only once a binding agreement is executed, at which point:

- it is sufficiently certain that GCS will undertake the project or contract;
- the financial effects of the project or contract for GCS are able to be reliably estimated; and
- pre-contractual confidentiality obligations typically fall away,

would the agreement (assuming it is material) be announced to ASX.

As is generally the case for GCS at any particular point in time, GCS currently has a number of tenders for projects and contracts outstanding or under consideration, and (during the life of this Scheme Booklet) may be in the process of negotiating binding agreements for a number of potential projects and contracts which GCS has tendered for and been awarded. Certain of these prospective projects and contracts may be material in the context of GCS's business and financial position, however because there is no certainty that binding arrangements will ultimately be agreed (in respect of any or all of them), GCS does not think it appropriate to provide any disclosure of their terms or possible financial impacts (on GCS or the Merged Group) at this time. However, GCS will continue to comply with its continuous disclosure and other disclosure obligations throughout the notice period leading up to the Scheme Meeting, so as to ensure that SRG Shareholders are kept fully informed about material developments in GCS's contract book.

(d) **Customer overview**

GCS is an Australian business with a diversified customer base across the following business segments:

- **Commercial:** In the Commercial segment, GCS's customer base is primarily Tier 1 organisations and in many cases the relationship with these organisations has been both collaborative and long term. GCS's major customers include Hutchinson Builders, Lendlease, Multiplex, ProBuild and Scentre Group.
- **Resources:** In the Resources, Industrial, Oil & Gas segment, GCS's customer base is aligned with major resource/industrial players with operations in Western Australia, including AngloGold Ashanti, BHP, Rio Tinto, FMG and Woodside.
- **Residential:** In the Residential segment in Western Australia, GCS's customer base includes many major housing developers, including the BGC Group.

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(e) **GCS's Strategy**

GCS's strategic focus is on profitable growth and optimisation of returns from its diversified portfolio of businesses by continuing to diversify revenue streams, safely drive operational efficiencies, reduce costs, and maintain a disciplined approach to managing its financial position. GCS continues to:

- (1) assess additional opportunities for geographic expansion in order to support the growth of its integrated product and service offering to clients nationally and to create value for shareholders; and
- (2) focus on productivity improvements and aligning its resources to meet the changing needs of its clients and market conditions.

GCS's overall strategy is underpinned by its values and the proposition of 'Safety, Performance and Reliability'.

For information about the proposed strategy for the Merged Group, refer to section 10.

9.2 Board and senior management

(a) **GCS Board**

As at the date of this Scheme Booklet, the GCS Board comprises:

| Name | Current position |
|--------------------------|------------------------|
| Peter Wade | Non-executive Chairman |
| Vincenzo (Enzo) Gullotti | Managing Director |
| George Chiari | Executive Director |
| John Derwin | Non-executive Director |

(b) **GCS Senior management**

As at the date of this Scheme Booklet, the key members of GCS's senior management team are:

| Name | Current position |
|--------------------------|---|
| Vincenzo (Enzo) Gullotti | Managing Director |
| Nigel Land | Chief Financial Officer and Joint Company Secretary |
| Paul Hegarty | Joint Company Secretary |

(c) **Payments and benefits to GCS senior management**

Subject to and after implementation of the Scheme, GCS (or the Merged Group, as it will be) will make certain payments and provide certain benefits to some members of GCS's senior management team. Further information about those payments and benefits, and their recipients, is set out in section 14.2.

9.3 Corporate governance

GCS is committed to ensuring that its obligations and responsibilities to its various stakeholders are fulfilled through appropriate corporate governance practices. These practices are based on GCS's corporate philosophy, vision, code of conduct and corporate governance policies and are designed to ensure that GCS's directors and executive officers perform their duties with transparency, integrity, care and diligence and in a manner which reflects the standards of the GCS's business.

Detailed below are the key corporate governance policies and practices of GCS that are in place as at the date of this Scheme Booklet. Further details of the GCS corporate governance framework are available on GCS's website at: <https://www.gcs.group/investors/corporate-governance/>.

(a) **GCS Board**

The GCS Board comprises two non-executive directors (including the Chairman) and two executive directors.

The GCS Board's primary role is the protection and enhancement of long-term shareholder value. The GCS Board is the governing body of GCS.

To fulfil this role, the GCS Board is responsible for the overall corporate governance of the consolidated entity including its strategic direction. It has the authority and the responsibility to determine policies and to control the affairs of GCS. The GCS Board is also responsible for establishing goals for management and monitoring the achievement of these goals over time.

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In addition to the above, the GCS Board is responsible for monitoring progress (both commercially and financially) and must institute relevant policies, practices and procedures, which deal with, for example, effective risk management and statutory compliance. The GCS Board is also responsible for attracting and retaining a suitably qualified executive team and maintaining GCS's corporate reputation with all stakeholders.

(b) **GCS Board Committees**

The GCS Board has established the following committees to assist with the discharge of its responsibilities:

- The **Audit and Risk Committee**, which assists the GCS Board to meet its oversight responsibilities in relation to the GCS's financial reporting, internal control structure, risk management procedures and the internal and external audit function.
- The **Nomination Committee**, which assists the GCS Board in fulfilling its responsibilities in relation to GCS's corporate governance practices and to review GCS Board composition and GCS Board succession planning.
- The **Remuneration Committee**, which assists the GCS Board in establishing remuneration policies and practices which enable GCS to attract, retain and motivate talented employees and directors who will create value for GCS Shareholders.

Each of these committees operates under a charter approved by the GCS Board and available on GCS's website at <https://www.gcs.group/investors/corporate-governance/>.

(c) **Continuous Disclosure & Communications**

The GCS Board aims to ensure that shareholders are kept informed of all major developments affecting GCS. Information is communicated to shareholders through the distribution of annual reports and by presentation to shareholders at the Annual General Meeting, which GCS Shareholders are encouraged to attend.

GCS also understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX and has adopted a policy covering announcements to the ASX, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings and media communications.

The GCS Board has established a Shareholder Communications Policy, a copy of which is available on GCS's website at <https://www.gcs.group/investors/corporate-governance/>.

(d) **Ethical and responsible decision making**

GCS has established a Code of Conduct that applies to all directors and employees of GCS and sets out the standards expected of the GCS Board, management and employees of the company when dealing with each other, shareholders and the broader community.

The GCS Board has also adopted a Share Trading Policy that applies to all Directors and employees of GCS. The purpose of the Share Trading Policy is to regulate and guide GCS Directors, officers, key management personnel, employees and closely related persons (and, where relevant, consultants and contractors) in dealing in GCS securities.

Both of these documents are available on GCS's website at <https://www.gcs.group/investors/corporate-governance/>.

(e) **Risk management**

GCS is committed to the identification; monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. The Chairman is charged with implementing appropriate risk management systems within GCS.

As noted above, the GCS Board has established the Audit and Risk Committee to assist the GCS Board to meet its oversight responsibilities in relation to GCS's financial reporting, internal control structure, risk management procedures and the internal and external audit function.

The GCS Board also monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.

(f) **Remuneration of directors and key management personnel**

As noted above, the GCS Board has established the Remuneration Committee to assist the Board in establishing coherent remuneration policies and practices which enable GCS to attract, retain and motivate talented employees and directors who will create value for GCS Shareholders.

One of the objectives of the Remuneration Committee is to make recommendations on policies, strategies, and structures for compensation arrangements for directors and key management personnel. The Remuneration Committee obtains independent advice on remuneration if it considers it appropriate or necessary to do so.

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(g) **Corporate Governance Statement**

GCS complies with all of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (Third Edition), except those listed in its Corporate Governance Statement (which is available on GCS's website). GCS has provided 'if not, why not' explanations for non-compliance with any such principles.

Further details of the GCS corporate governance framework are available on GCS's website at <https://www.gcs.group/investors/corporate-governance/>.

9.4 Historical financial information

(a) **Basis of preparation**

The selected historical financial information in this section has been extracted from GCS's audited financial statements for the years ended 30 June 2016 and 30 June 2017 and the reviewed interim financial statement for the six month period ended 31 December 2017.

The information in this section is a summary only and is prepared and extracted for the purposes of this Scheme Booklet. The information has been extracted from the audited annual financial reports of GCS for the financial years ended 30 June 2016 and 30 June 2017 (which were audited by BDO Audit) and the reviewed half-year financial report for the half-year ended 31 December 2017 (which was reviewed by BDO Audit).

GCS's financial statements (including all notes to the financial statements) are available from GCS's website at: <https://www.gcs.group/investors/reports-and-presentations/>.

(b) **Historical consolidated statement of profit and loss**

| (A\$'000) | 30-Jun-16 | 30-Jun-17 | 6 months 31-Dec-17 |
|--|-----------------|---------------|-----------------------|
| Revenue from hire of equipment, provision of labour and contracting services | 178,523 | 203,935 | 111,812 |
| Sale of goods | 6,026 | 3,763 | 750 |
| Other income | 869 | 307 | 271 |
| Raw materials, consumables and services | (58,960) | (81,446) | (60,978) |
| Personnel expenses | (77,683) | (76,277) | (34,029) |
| Other expenses | (11,144) | (11,662) | (4,516) |
| Occupancy | (7,609) | (7,504) | (2,235) |
| Repairs and maintenance | (2,034) | (1,924) | - |
| Depreciation and amortization expense | (10,451) | (6,490) | (1,959) |
| Impairment expense | (105,735) | - | - |
| Finance costs | (3,542) | (2,735) | (104) |
| Share of profit of equity accounted investees (net of tax) | 2,262 | 425 | - |
| Loss on disposal of equity accounted investment | - | (528) | - |
| Profit/(loss) before income tax expense | (89,478) | 19,864 | 9,012 |
| Income tax (expense)/benefit | 12,596 | (7,012) | (2,847) |
| Profit/(loss) from continuing operations | (76,882) | 12,852 | 6,165 |
| Profit from discontinued operation (net of tax) | - | - | 981 |
| Profit/(loss) for the period (net of tax) | (76,882) | 12,852 | 7,146 |

Profit/(loss) for the period attributable to:

| | | | |
|---------------------------|----------|--------|-------|
| Owners of the Company | (76,882) | 10,874 | 6,433 |
| Non-controlling interests | - | 1,978 | 713 |

(c) **Historical consolidated statement of cash flows**

| (A\$'000) | 30-Jun-16 | 30-Jun-17 | 6 months 31-Dec-17 |
|---|-----------------|-----------------|-----------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | 186,272 | 204,314 | 127,864 |
| Payments to suppliers and employees | (154,828) | (180,042) | (108,868) |
| Income taxes paid | (3,221) | (5,157) | (1,978) |
| Net cash inflow from operating activities | 28,223 | 19,115 | 17,018 |
| Cash flows from investing activities | | | |
| Payments for acquisition of subsidiaries and controlling interests (net of cash) | - | (1,193) | - |
| Payments of contingent consideration on acquisition of subsidiaries and controlling interests | - | (1,090) | (1,090) |
| Proceeds from disposal in investment in associates | - | 10,501 | - |
| Payments for property, plant and equipment | (6,068) | (4,099) | (3,598) |
| Proceeds from sale of property, plant and equipment | 488 | 811 | 28,286 |
| Interest received | 661 | 411 | 79 |
| Proceeds from loans repaid by related parties | 609 | 7,000 | - |
| Net cash inflow/(outflow) from investing activities | (4,310) | 12,341 | 23,677 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 1,937 | 193 | 640 |
| Repayment of borrowings | (22,403) | (10,455) | (25,598) |
| Interest paid | (3,427) | (2,734) | (457) |
| Dividends paid | - | (8,011) | (2,003) |
| Net cash outflow from financing activities | (23,893) | (21,007) | (27,418) |
| Net increase in cash and cash equivalents | 20 | 10,449 | 13,277 |
| Cash and cash equivalents at beginning of the period | 20,702 | 20,722 | 31,171 |
| Cash and cash equivalents at end of the period | 20,722 | 31,171 | 44,448 |

(d) Historical consolidated statement of financial position

| (A\$'000) | 30-Jun-16 | 30-Jun-17 | 31-Dec-17 |
|---|----------------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 20,722 | 31,171 | 44,448 |
| Trade and other receivables | 29,665 | 35,542 | 29,483 |
| Prepayments | 3,297 | 4,178 | 1,796 |
| Inventories | 2,641 | 8,837 | 13,046 |
| Current tax assets | - | 2,367 | 4,958 |
| Total current assets | 56,325 | 82,095 | 93,731 |
| Non-current assets | | | |
| Other receivables | 7,129 | 42 | - |
| Investments accounted for using the equity method | 10,603 | - | - |
| Property, plant and equipment | 104,916 | 116,404 | 93,291 |
| Intangible assets | 17,469 | 23,848 | 23,595 |
| Deferred tax assets | 5,072 | 2,868 | 11,981 |
| Total non-current assets | 145,189 | 143,162 | 128,867 |
| Total assets | 201,514 | 225,257 | 222,598 |
| Current liabilities | | | |
| Trade and other payables | 11,844 | 22,718 | 27,097 |
| Borrowings | 12,350 | 9,354 | 1,590 |
| Provisions | 3,966 | 2,925 | 8,155 |
| Deferred income | 2,936 | 3,001 | 3,841 |
| Current tax liabilities | 643 | - | - |
| Total current liabilities | 31,739 | 37,998 | 40,683 |
| Non-current liabilities | | | |
| Borrowings | 22,180 | 18,039 | 846 |
| Provisions | 3,979 | 15,237 | 8,319 |
| Deferred tax liabilities | 212 | 3,637 | 16,635 |
| Total non-current liabilities | 26,371 | 36,913 | 25,800 |
| Total liabilities | 58,110 | 74,911 | 66,483 |
| Net assets | 143,404 | 150,346 | 156,115 |
| Equity | | | |
| Issued capital | 142,105 | 147,727 | 147,725 |
| Reserves | 140 | 140 | 768 |
| Retained earnings | 1,159 | 4,022 | 8,452 |
| Total shareholders' equity | 143,404 | 151,889 | 156,945 |
| Non-controlling interest | - | (1,543) | (830) |
| Total equity | 143,404 | 150,346 | 156,115 |

(e) **Material changes in financial position (since 31 December 2017)**

GCS's most recent published financial statements are the reviewed financial statements for the period ended 31 December 2017.

On 4 June 2018, GCS acquired the remaining 49% of the ordinary shares and voting rights in Gallery Facades that it did not already own (having previously acquired 51% of the ordinary shares and voting rights in Gallery Facades, then known as Podium Glazing Australia Pty Ltd, in October 2016). In consideration for the acquisition of the remaining 49% of the ordinary shares and voting rights in Gallery Facades on 4 June 2018, GCS issued 11,156,340 GCS Shares to the vendors and is contractually obliged to issue up to an additional 4,056,852 further GCS Shares, subject to an earn out arrangement based on the EBITDA of the Gallery Facades Group in the 2019 financial year. Whilst GCS now holds 100% of the ordinary shares and voting rights in Gallery Facades, the vendors continue to hold redeemable preference shares in Gallery Facades (which do not carry voting rights) as part of earn-out arrangements in connection with the acquisition of the initial 51% of Gallery Facades.

Other than as disclosed in this Scheme Booklet, within the knowledge of the GCS Board, the financial position of GCS has not materially changed since 31 December 2017.

9.5 Capital structure and ownership

(a) **GCS securities**

As at the Last Practicable Date, the issued securities of GCS are as follows:

| Type of security | Number on issue |
|------------------------|------------------------|
| GCS Shares | 222,181,412 |
| GCS Performance Rights | 1,500,000 ⁴ |

(b) **Rights attaching to New GCS Shares**

The New GCS Shares which will be issued as the Scheme Consideration will be issued as fully paid ordinary shares and will rank equally with all issued GCS Shares from the date of their allotment.

The New GCS Shares will have the same rights and liabilities attaching to them as the existing GCS Shares by virtue of GCS's company constitution and the Corporations Act.

The below is a summary only and is not intended to be an exhaustive or definitive summary of the rights and obligations of GCS Shareholders.

(1) **General meetings**

Each holder of GCS Shares is entitled to receive notice of and to attend and vote at all meetings of members of GCS. They are entitled to be present and vote at meetings in person, or by proxy, attorney or authorised representative. If a call on a GCS Share is due and unpaid, the holder of that GCS Share is not entitled to a vote in respect of that GCS Share at a meeting of members.

(2) **Voting**

On a show of hands, each GCS Shareholder, or proxy, attorney or representative of a GCS Shareholder has one vote. If more than one proxy or attorney for a GCS Shareholder is present at a meeting of members, none of them are entitled to vote on a show of hands. In respect of a poll, every GCS Shareholder entitled to vote who is present in person, by proxy, attorney or representative has one vote for every fully paid share held (and a fraction of a vote for each partly paid up GCS Share to the proportion that that GCS Share is paid up). A resolution put to vote at a meeting must be decided on a show of hands unless a poll is demanded.

(3) **Dividends**

Payment of dividends is subject to section 254T of the Corporations Act. By law, GCS must not pay a dividend unless:

- (A) assets exceed liabilities immediately before the dividend is declared and the excess is sufficient to pay the dividend;
- (B) the payment is fair and reasonable to the members as a whole; and
- (C) the payment does not materially prejudice GCS's ability to pay its creditors.

⁴The 1,500,000 GCS Performance Rights on issue are held by Enzo Gullotti, GCS's Managing Director. GCS and Mr Gullotti have entered into a conditional binding agreement pursuant to which 150,000 of the GCS Performance Rights will be cancelled for nil consideration, conditional upon and with effect from the Court approving the Scheme at the Second Court Hearing. The treatment of the remaining 1,350,000 GCS Performance Rights is discussed in section 9.5(c) below.

The GCS Board may resolve to pay dividends, but only out of profits of GCS. In respect of any dividend, the GCS Board may fix:

- (A) the amount of the dividend;
- (B) whether the dividend is franked, the franking percentage and the franking class;
- (C) the time for determining entitlements to the dividend;
- (D) the time for payment of the dividend; and
- (E) the method of payment of the dividend.

(4) **Transfer of GCS Shares**

A GCS Shareholder may transfer a GCS Share held by that member to a third party by a proper ASX transfer, an instrument of transfer which is in compliance with GCS's constitution or any other method permitted by the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules.

The GCS Board may refuse to register a transfer of GCS Shares if that refusal is permitted by the Listing Rules, the Corporations Act and the ASX Settlement Operating Rules. The GCS Board may refuse to register a transfer of GCS Shares where the registration of the transfer would create a new holder of an unmarketable parcel. The GCS Board must refuse to register a transfer if the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules or a law about stamp duty requires GCS to do so.

(5) **Variations**

Subject to the terms of issue of GCS shares in a particular class, the Corporations Act and the Listing Rules, GCS may vary or cancel the rights attached to shares in that class, or convert those GCS shares from one class to another, by special resolution of GCS and:

- (A) a special resolution passed at a meeting of the holders of the issued shares of the affected class; or
- (B) the written consent of the holders of 75% of the issued shares of the affected class.

(6) **Alterations to share capital**

GCS may reduce its share capital and buy back shares on any terms and at any time.

(7) **Unmarketable parcels**

As permitted by the Listing Rules, the GCS Constitution confers the power on the GCS Board to sell a GCS Share that is part of an unmarketable parcel. The GCS Board must not sell an unmarketable parcel unless it has given 42 days' written notice to the GCS Shareholder of its intention to sell the shares, and that GCS Shareholder has not responded by giving the GCS Board written notice that all or some of those GCS Shares are not to be sold or disposed of.

(8) **Rights on winding up**

If GCS is wound up, the liquidator may, with the sanction of a special resolution of the GCS Shareholders:

- (A) distribute the whole or any part of the property of GCS amongst the GCS Shareholders; and
- (B) decide how to distribute the property as between the GCS Shareholders or different classes of GCS Shareholders.

(c) **GCS Performance Rights**

As at the date of this Scheme Booklet, there are 1,500,000 GCS Performance Rights on issue under the GCS Performance Rights Plan, all of which are held by GCS's Managing Director, Enzo Gullotti.

Pursuant to their vesting conditions, these GCS Performance Rights vest in connection with expansionary corporate transactions undertaken by GCS during the period from 1 July 2016 to 30 June 2019, with tranches of up to 500,000 GCS Performance Rights able to vest for each such transaction (up to 250,000 on execution of the transaction and up to a further 250,000 subsequently if the earnings generated by the transaction are in line with GCS's expectations). In addition to the Scheme, GCS has undertaken a number of other transactions during the relevant period which are eligible transactions for the purposes of the vesting conditions attaching to Mr Gullotti's GCS Performance Rights.

In connection with the Scheme, GCS and Mr Gullotti have entered into a conditional binding agreement pursuant to which 150,000 of the GCS Performance Rights will be cancelled for nil consideration, conditional upon and with effect from the Court making orders approving the Scheme at the Second Court Hearing. If the Scheme does not proceed, these GCS Performance Rights will not be cancelled and the GCS Board will reconsider any vesting of these GCS Performance Rights having regard to their terms, including the applicable vesting conditions.

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In relation to the remaining 1,350,000 GCS Performance Rights which are not subject to cancellation in connection with the Scheme, the GCS Board has determined that subject to and with effect from the Court making orders approving the Scheme at the Second Court Hearing, 1,350,000 GCS Performance Rights will vest (500,000 in connection with the Scheme, and 850,000 in connection with transactions other than the Scheme that GCS has already undertaken).

If the Scheme does not proceed, 850,000 GCS Performance Rights will vest (in connection with transactions other than the Scheme that GCS has already undertaken), and the GCS Board will reconsider any vesting of the balance of the GCS Performance Rights having regard to their terms, including the applicable vesting conditions.

9.6 GCS's substantial shareholders

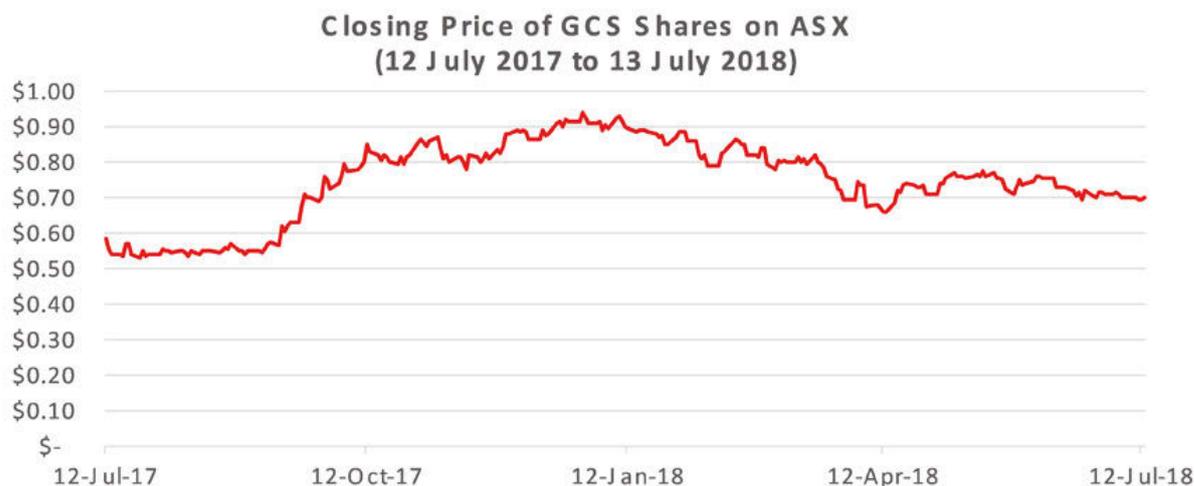
As at 13 July 2018 (being the Last Practicable Date), GCS had received notifications from the following substantial shareholders in accordance with section 671B of the Corporations Act:

| Substantial holder | Number of GCS Shares | Voting power |
|---|----------------------|--------------|
| Lanyon Asset Management Pty Ltd | 28,008,526 | 12.6% |
| Commonwealth Bank of Australia ⁵ | 21,800,582 | 9.8% |
| IOOF Holdings Limited | 14,000,000 | 6.3% |

9.7 GCS's Share price

The chart below shows the closing price of GCS Shares on the ASX over the 12 month period up to (and including) the Last Practicable Date.

Figure 6: GCS share price



Source: Orient Capital Pty Ltd via Miraql Online Platform

The closing price of GCS Shares on the ASX as at the close of trading on the Last Practicable Date was \$0.70.

During the three month period up to (and including) the Last Practicable Date:

- the highest recorded daily closing price for GCS Shares on the ASX was \$0.775 on 17 May 2018; and
- the lowest recorded daily closing price for GCS Shares on the ASX was \$0.660 on 13 April 2018.

The pre-announcement sale price of GCS Shares on the ASX before the public announcement of the Scheme (on 12 June 2018) was \$0.755 on 8 June 2018.

⁵ Number of shares is based on Commonwealth Bank of Australia's Notice of change of interests of substantial holder (ASIC Form 604) dated 14 September 2017. Percentage interest is calculated based the number of GCS Shares currently on issue.

9.8 Financing arrangements

GCS currently has debt facilities in place totaling \$42.5 million of which \$1.7 million was drawn as at 30 April 2018. The \$42.5 million facilities are comprised of a:

- \$10 million revolving cash advance facility from Commonwealth Bank of Australia (**CBA**);
- \$20 million equipment finance facility from CBA,
- \$12 million equipment finance facility from Toyota Finance;
- \$0.275 million equipment finance facility from Maia Financial; and
- \$0.2 million corporate credit card facility from CBA.

GCS has a \$50.0 million surety bond facility with Assetinsure Pty Ltd (acting as agent for Swiss Re International SE) of which \$20.8 million was drawn as at 30 April 2018.

GCS's revolving cash advance facility is secured by the trade receivables of the GCS Group. The hire purchase facilities are secured by rights to the asset that is the subject of the financing arrangements.

9.9 Publicly available information about GCS

GCS is a listed disclosing entity for the purposes of the Corporations Act and is admitted to the official list of ASX, as such, GCS is subject to regular reporting and disclosure obligations. Specifically, as a listed company, GCS is subject to the Listing Rules which require continuous disclosure of any information GCS has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, as well as periodic disclosure in accordance with both the Corporations Act and Listing Rules.

Announcements that GCS has released to ASX are available from ASX's website (www.asx.com, ASX: GCS) and on GCS's website (www.gcs.group).

In addition, GCS is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by GCS may generally be obtained from a search of ASIC's records.

SRG shareholders may obtain a copy of the following documents, free of charge, by contacting GCS at SchemeBooklet@gcs.group:

- GCS's annual financial report for the year ended 30 June 2017;
- GCS's half-year financial report for the half year ended 31 December 2017; and
- any continuous disclosure notice given to ASX by GCS since the lodgement with ASIC of GCS's annual financial report for the year ended 30 June 2017 and before lodgement of this Scheme Booklet with ASX.

Information about GCS, including the documents referred to above and GCS's ASX announcements, is available in electronic form from: <https://www.gcs.group/investors/>.

9.10 GCS FY18 results guidance

The GCS Group's full year NPAT for FY18, inclusive of discontinued operations, is expected to be between \$14.4 million and \$15.4 million. On this basis, GCS expects to deliver NPAT attributable to shareholders for FY18 of between \$12.4 million and \$13.4 million. This guidance includes provision for an effective tax rate of 30%, which will not be paid due to historic tax losses arising on the sale of discontinued operations.

GCS is proposing to release its preliminary final report (Appendix 4E) for the year ended 30 June 2018 to ASX on or about 14 August 2018.

9.11 Dividend policy

(a) GCS historical dividends

The following table sets out the dividends paid by GCS since 1 July 2015.

| Payable date | Record date | Cents per share | Franking | Type |
|-----------------|-------------------|-----------------|---------------|---------|
| 29 March 2018 | 9 March 2018 | 2c | Fully franked | Interim |
| 13 October 2017 | 15 September 2017 | 1c | Fully franked | Final |
| 17 March 2017 | 3 March 2017 | 1c | Fully franked | Interim |
| 3 January 2017 | 1 December 2016 | 2c | Fully franked | Special |
| 14 October 2016 | 15 September 2016 | 1c | Fully franked | Final |

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(b) **GCS FY18 final dividend**

The Scheme Implementation Deed permits GCS to declare and pay a fully-franked final dividend for the 2018 financial year of up to 2.5 cents per GCS Share before the Effective Date (**GCS Permitted Dividend**).

GCS currently expects to determine to pay the GCS Permitted Dividend; however, as at the date of this Scheme Booklet no final decision has been made by GCS in respect of whether to declare and pay a GCS Permitted Dividend or the amount of any such dividend. These matters are independent of the Scheme, and are to be determined by reference to applicable regulatory requirements and the discretion of the GCS Board. Any such GCS Permitted Dividend that the GCS Board determines to declare and pay will be announced to ASX in accordance with the Listing Rules and GCS's usual practice.

9.12 Information relating to GCS directors

As at the date of this Scheme Booklet, the number of GCS securities held by or on behalf of each GCS director is as follows.

Interest of GCS directors

| Director | GCS Shares | Performance rights |
|--------------------------|------------------------|--------------------|
| Peter Wade | 221,361 | None |
| Vincenzo (Enzo) Gullotti | 4,626,349 | 1,500,000* |
| George Chiari | 4,826,948 ⁶ | None |
| John Derwin | None | None |
| Total | 9,677,658 | 1,500,000* |

* As described in section 9.5(a) above, if the Court makes orders approving the Scheme at the Second Court Hearing, 150,000 of these GCS Performance Rights will be cancelled for nil consideration and the remaining 1,350,000 will vest, resulting in 1,350,000 GCS Shares being issued to Enzo Gullotti.

9.13 Litigation

As at the date of this Scheme Booklet, GCS is not aware of any material contractual disputes or litigation in respect of GCS, including with its customers or other third parties.

9.14 Interests in SRG Shares

(a) **Voting power and Relevant Interest**

As at the date of this Scheme Booklet, GCS and its Associates did not have any voting power in SRG, nor a relevant interest in any SRG Shares.

(b) **Dealings in SRG Shares in previous four months**

Except in respect of the Scheme Consideration, during the period of four months before the date of this Scheme Booklet, neither GCS nor any of its Associates has provided or agreed to provide consideration for any SRG Shares.

(c) **Benefits to holders of SRG Shares**

Except as disclosed elsewhere in this Scheme Booklet, during the four months before the date of this Scheme Booklet, neither GCS nor any of its Associates has given or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate, to:

- vote in favour of the Scheme; or
- dispose of SRG Shares,

and where the benefit was not offered to all SRG Shareholders.

9.15 No other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to an SRG Shareholder's decision whether to approve the Scheme which is known to any director of GCS, at the date of this Scheme Booklet, and which has not previously been disclosed.

⁶For completeness, this includes an indirect beneficial interest in 1,592,824 GCS Shares based on George Chiari's interest in approximately one third of the units in the Chiari Used Unit Trust (which holds a total of 4,778,472 GCS Shares).

10. PROFILE OF THE MERGED GROUP

10.1 Overview of the Merged Group

Through the merger of equals of SRG and GCS, the Merged Group, proposed to be called SRG Global Limited, will be focused on building a leading global Specialist Engineering, Construction and Maintenance group that provides services and products across the entire asset life-cycle.

The Merged Group is expected to have:

- pro forma market capitalisation of approximately \$300 million;⁷
- pro forma annual revenue of approximately \$510 million;⁸
- pro forma net cash of approximately \$28 million (\$36 million⁹ netted for transaction adjustments as discussed in section 11);
- net tangible assets of approximately \$200 million¹⁰ and
- over 2,000 employees globally.

10.2 Strategic rationale

The strategic rationale for the Merger is to create a platform from which to make the Merged Group a leading global Specialist Engineering, Construction and Maintenance group, which delivers enhanced value from the following key elements:

- (a) combined complementary capabilities and assets into a scale platform with opportunities for further growth;
- (b) increased sector diversity and geographical footprint;
- (c) leveraging of common and complementary customers, sectors and geography;
- (d) significant cross-selling opportunities with an expanded range of differentiated products and services;
- (e) utilising the existing GCS Access business (rope access/scaffolding) and footprint in the Australian market (particularly in oil & gas and resources) to drive growth. This replicates the TBS business model in New Zealand of combining the TBS Access business with the TBS Specialist Asset Maintenance Services;
- (f) increased services offering with an ability to offer a fully integrated services package to the building industry from design engineering, formwork / structures, post-tensioning and façades / curtain walling;
- (g) positions the Merged Group to target rectification of the flammable cladding issue (refer to the Grenfell fire in London) both domestically and internationally through combining the GCS façade construction capability with the SRG façade refurbishment and design engineering capability;
- (h) increased asset utilisation and greater capital efficiency; and
- (i) realisation of cost synergies of approximately \$3 - \$4 million per annum by FY20 (before taking into account any one-off costs associated with such synergies) through leveraging the Merged Group's existing fixed cost base.

⁷Based on the combination of GCS and SRG's stand-alone market capitalisations of approximately \$156 million and \$141 million respectively as at the close of trading on the Last Practicable Date. The share prices for each of GCS and SRG as at close of trading on the Last Practicable Date were \$0.70 and \$1.73, respectively. The actual market capitalisation of the Merged Group will depend on the share price of GCS Shares from implementation of the Scheme and may be higher or lower. Accordingly, the market capitalisation of the Merged Group set out above is provided for illustrative purposes only.

⁸Refer to section 11.7 (Pro Forma Statement of Financial Performance as at 31 December 2017).

⁹Pro forma net cash of \$36m is based on SRG's pro forma (for TBS acquisition) net debt as at 31 December 2017 of \$5.9m, as per the TBS acquisition announcement presentation released on 5 April 2018; and based on GCS net cash as at 31 December 2017 of \$42.0m as per GCS's FY18 Half Year Report. This excludes any impact of transaction adjustments.

¹⁰Refer to section 11.7 (Pro Forma Statement of Financial Position as at 31 December 2017).

10.3 Combined capability

The Merged Group will have five business streams with complementary capabilities that will enable the Merged Group to provide a more integrated and expanded offering for its customers.

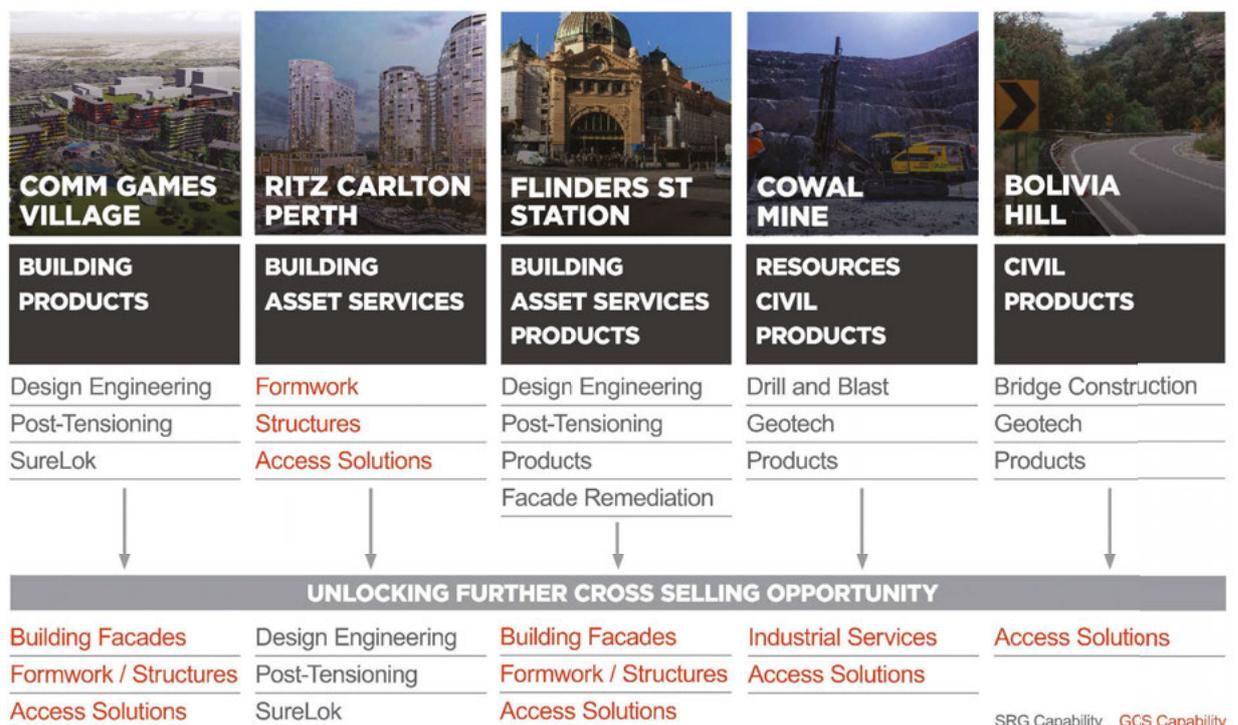
Figure 7: Merged Group business segments and capabilities



SRG Capability GCS Capability Joint Capability*

The Merged Group will have a strong platform from which to significantly increase cross-selling across the various businesses and pursue additional growth opportunities (when compared to SRG and GCS as standalone businesses). Shown below (in the upper half of the chart) are some examples of projects for which cross-selling has already been effective for the SRG and GCS standalone businesses. In each of these cases, the Merged Group could have sought to unlock additional value from further cross-selling opportunities, as shown in the lower half of the chart, if SRG and GCS had been a combined group.

Figure 8: Extended cross selling examples



SRG Capability GCS Capability

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10.4 Customers

The Merged Group will have many common key customers along with many other complementary customers that will unlock extended service offerings. Outlined below are some of the common key customers that GCS and SRG already have.

Figure 9: Common key customers



10.5 Combined geographical footprint

The Merged Group will have a significant presence in Australia, New Zealand and internationally that may open up additional business opportunities (relative to SRG and GCS as standalone entities) as a combined group. Illustrated below is the global footprint and detailed Australia / New Zealand footprint for the Merged Group.

Figure 10: Combined global footprint



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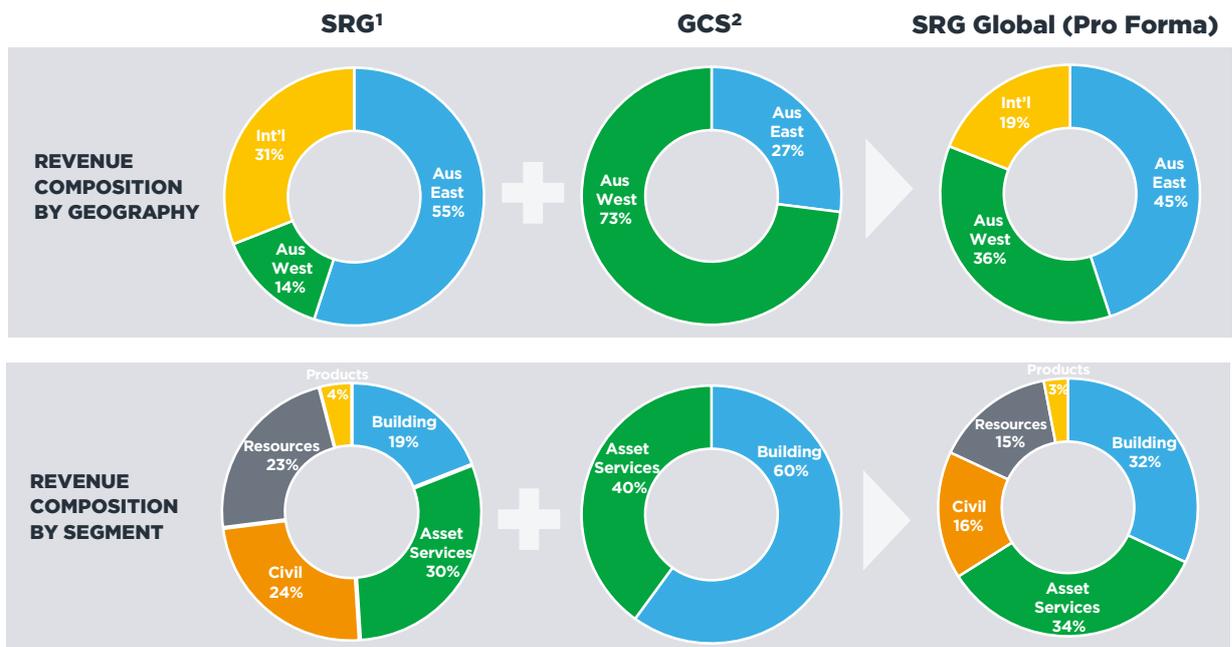
Figure 11: Combined Australia / New Zealand footprint



10.6 Combined financials

The Merged Group will have a well weighted revenue composition, from both a geographic and industry segment perspective. This is illustrated below.

Figure 12: Merged Group revenue composition by geography and segment



Notes:

¹ Based on SRG's FY17 revenue mix (pro forma for the acquisition of TBS Group)

² Based on GCS's FY17 revenue mix (pro forma for discontinued operations including the divestment of the Equipment Hire business)

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10.7 Unified vision / brand

The Merged Group will have a unified vision of “Making the Complex Simple”. The Merged Group Vision and brand is illustrated below.

Figure 13: Unified vision / brand

MAKING THE COMPLEX SIMPLE

WE SOLVE THE CHALLENGING PROBLEMS
WE SOLVE THEM ACROSS THE ENTIRE ASSET LIFE CYCLE
WE SOLVE THEM ACROSS THE WORLD



10.8 Operating model

The operating model of the Merged Group will be to support customers at every stage of their assets' life cycle with specialist technical expertise, services and products.

Figure 14: SRG Global operating model

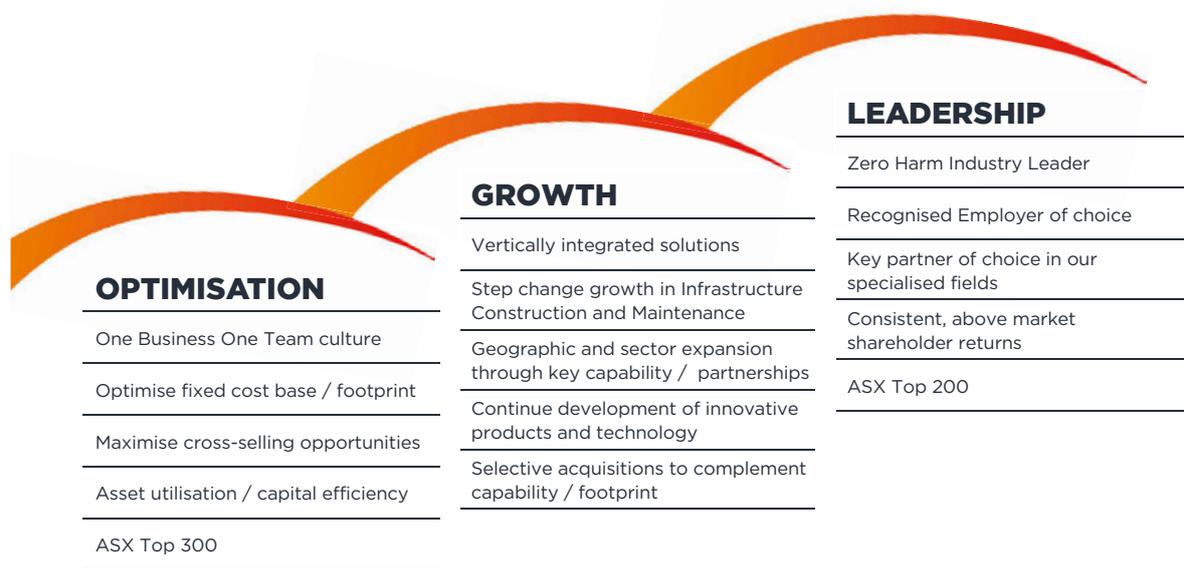


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10.9 Strategic horizons

The Merged Group strategy is to build a leading global Specialist Engineering, Construction and Maintenance group. The strategy is broken down into three phases being, Optimisation, Growth and Leadership as shown below.

Figure 15: SRG Global strategic horizons



10.10 Cost synergies

The annualised cost synergies to be realised by the Merged Group as a result of the Merger have been estimated by GCS and SRG (jointly) at approximately \$3 – 4 million per annum (before taking into account any one-off costs associated with achieving such synergies). These are expected to be realised by FY20 and are expected to comprise:

- savings in insurance, transport and other operating costs from increased bargaining power due to scale;
- rental savings from the consolidation of properties / offices;
- removal of the duplication of administrative costs such as listing compliance, IT, audit and other;
- removal of the duplication of corporate related functions; and
- removal of the duplication of other operational and business unit overheads.

GCS and SRG estimate the one-off costs associated with achieving the abovementioned cost synergies to be approximately \$2.5 million.

10.11 Intentions in relation to SRG and the Merged Group

(a) Business, operations and assets

The business, operations and assets of SRG are intended to continue as usual within the Merged Group in the short term. A detailed review will be conducted following implementation of the Scheme to identify opportunities to increase synergies, efficiency and cross-selling within the Merged Group's business operations.

(b) Employees

The Merged Group will evaluate the future employment requirements of the Merged Group as part of the integration process. The Merged Group will endeavour to minimise any disruption to SRG and GCS employees during the integration process.

After implementation of the Scheme, it is intended that the Merged Group Board will review and implement appropriate incentive arrangements for key employees so as to align the interests of key employees with shareholders of the Merged Group. The terms of any new incentive plans and the employees who will be entitled to participate in those plans will be determined by the Merged Group Board after implementation of the Scheme.

(c) Other intentions

GCS and SRG intend for the Merged Group to consolidate its corporate head office including relocating select corporate functions to SRG's current headquarters in Subiaco following implementation of the Scheme.

10.12 Board and senior management

(a) Merged Group Board

The Merged Group will have a board of seven directors including Peter Wade as Non-executive Chairman, Peter McMorrow as Non-executive Deputy Chairman, David Macgeorge as Managing Director and Enzo Gullotti as Executive Director.

Of the seven directors, three will be existing directors of GCS and four will be existing directors of SRG. All existing directors of GCS who are not continuing will resign as soon as practicable after the Implementation Date.

The board of directors of the Merged Group will comprise:

| Director | Position |
|-----------------|-------------------------------|
| Peter Wade | Non-executive Chairman |
| Peter McMorrow | Non-executive Deputy Chairman |
| David Macgeorge | Managing Director |
| Enzo Gullotti | Executive Director |
| Peter Brecht | Non-executive Director |
| Michael Atkins | Non-executive Director |
| John Derwin | Non-executive Director |

(1) Peter Wade

Peter Wade joined the GCS Board as Non-executive Chairman in November 2011.

Peter holds a Bachelor of Engineering (Hons) and has over forty five years of experience in engineering, construction, project management, mining, and infrastructure services. He started his career with the NSW Public Service managing the construction, building, and operation of significant infrastructure projects such as the Port Kembla coal loader and grain terminals in Newcastle and Wollongong.

Peter was also a Deputy Director for the Darling Harbour Redevelopment construction project. Subsequently, as an Executive of the Transfield Group, Peter was responsible for a number of significant construction, building, and operation projects including, the Melbourne City Link, the Airport Link, the Northside Storage Tunnel, and the Collinsville and Smithfield Power Plants.

Mr Wade has been the Managing Director of Crushing Services Pty Ltd and PIHA Pty Ltd since 1999 and Minerals International Pty Ltd since 2002 (now both wholly owned subsidiaries of Mineral Resources Limited). In 2006, with the formation and listing of Mineral Resources Limited, Mr Wade was appointed as Managing Director and has overseen a sustained period of successful development and growth. In 2008 Mr Wade was appointed as the Executive Chairman, and then in November 2012 the Non-executive Chairman, of Mineral Resources Limited.

(2) Peter McMorrow

Peter McMorrow joined the Board of SRG as a Director in July 2010, and moved into the role of Chairman in July 2014. He is also a member of the Remuneration and Benefits Committee.

Peter has over 35 years project and executive experience and is a respected leader in the infrastructure and resources industries. Encompassing a wide variety of large and complex infrastructure projects both overseas and within Australia, his industry knowledge extends to all facets of engineering, project identification, winning and delivery as well as management of dynamic, profitable and long lasting business operations.

Most recently, Peter was Managing Director of Leighton Contractors, for the period between 2004 and September 2010. Under his guidance, Leighton Contractors expanded considerably with turnover increasing to over \$5 billion and the workforce increasing fourfold to approximately 10,000 employees.

Peter is an advocate for health and safety, and brings a strong zero harm vision to both SRG and the industry in which it operates.

(3) **David Macgeorge**

David Macgeorge joined SRG as Managing Director in May 2014.

David has extensive senior executive experience in contracting, logistics, infrastructure and mining service industries and has a strong record of leading business transformations, driving value creation and growth through a unique understanding of strategy, customer focus and shareholder returns.

Prior to joining SRG, David held senior executive roles with BIS Industries, Cleanaway and CHEP (a subsidiary of Brambles). He also provided consultancy to Leighton Contractors.

David holds a Bachelor of Business and has completed the Senior Executive Management program at INSEAD Business School in France.

(4) **Enzo Gullotti**

Enzo Gullotti established GCS in 2003 and has been the Managing Director of GCS since.

Enzo is an industry and community leader, with in excess of twenty nine years of experience in the scaffolding, construction, and maintenance sectors. Mr Gullotti was a founding member of the PCH Group, where he was an Executive Director for approximately eight years and the Managing Director of the scaffolding subsidiary. Mr Gullotti was instrumental in growing PCH, including the establishment of operations in Karratha, Sydney, Darwin, Bunbury, Singapore, Thailand, Dubai and the Caspian Sea.

Since establishing GCS in 2003, Mr Gullotti has grown the GCS Group significantly, including leading the successful integration of several key acquisitions and expanding the GCS's footprint throughout Australia.

(5) **Peter Brecht**

Peter Brecht joined the Board of SRG in September 2014. He is Chairman of the Remuneration, Nomination and Benefits Committee.

Previously the Managing Director - Construction Australia for Lendlease, CEO of Bilfinger Berger Australia, Managing Director of Abigroup, Peter has more than 35 years' experience in the construction industry.

Peter is a Board member of Fulton Hogan Limited. He has been a Member of the Australian Institute of Company Directors since 2000.

(6) **Michael Atkins**

Michael joined the SRG Board as a Director in September 2014, and is Chairman of the Audit Committee.

Michael was a founding partner of a national Australian Chartered Accounting practice from 1979 to 1987 and was a Fellow of the Institute of Chartered Accountants in Australia. Since 1987 he has been both an executive and non-executive director of numerous publicly listed companies with operations in Australia, USA, South East Asia and Africa.

Since February 2009 Michael has been a Director - Corporate Finance at Paterson Securities Limited and is currently Non-executive Chairman of Australian listed companies Legend Mining Limited, Azumah Resources Limited and Castle Minerals Ltd.

Michael is a Fellow of the Australian Institute of Company Directors.

(7) **John Derwin**

John Derwin joined the GCS Board as a Non-executive Director in July 2017.

John holds a Bachelor of Civil Engineering (Hons) and has over forty years of experience in engineering, construction, project management, predominantly in the infrastructure, mining, petrochemical and oil & gas sectors. Mr Derwin started his career with the NSW Public Works Department and subsequently held senior roles with ABB Engineering, Transfield Technologies and John Holland.

Since 2006, Mr Derwin has been providing independent consultancy services, including bid management and project management services on key infrastructure projects throughout Australia. Mr Derwin brings a wealth of knowledge and practical experience to support GCS's broader construction capabilities including the expansion of operations on the east coast.

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(b) **Key management personnel**

The key management personnel of the Merged Group will comprise:

| Name | Position |
|-----------------|---|
| David Macgeorge | Managing Director |
| Enzo Gullotti | Executive Director |
| Roger Lee | Chief Financial Officer and Company Secretary |
| George Chiari | Director - C.A.S.C Constructions Pty Ltd |
| Joe Thomas | Executive General Manager Mining, Building and Products |
| Nick Combe | Executive General Manager Construction |
| Mike Clarke | Executive General Manager International |

Profiles for David Macgeorge and Enzo Gullotti are set out in section 10.12(a) above. Profiles for the remaining Merged Group key management personnel are below:

(1) **Roger Lee**

Roger joined SRG as CFO and Company Secretary in July 2014, and brings over 25 years' experience in senior and executive management in Australia.

Prior to joining SRG, Roger played an integral role in the establishment of Broad Group Holdings (now part of the Leighton Contractors Group), a national commercial and civil construction company which grew from inception to annual revenues of over half a billion dollars during his tenure.

During his time at Broad, he held various executive roles including Director/CFO, and subsequently Managing Director of Broad. He has also held other Executive Finance roles at Leighton Contractors (now part of CPB), both at corporate level and within the Infrastructure Division.

Roger is a qualified CPA and is a graduate of the University of Western Australia in Commerce, majoring in Finance and Accounting.

(2) **George Chiari**

George Chiari joined GCS as an Executive Director in October 2009.

George is a recognised industry leader in the field of commercial formwork and concrete, with over forty seven years of experience at CASC Constructions (GCS's commercial formwork and concrete division). George's skills and knowledge are invaluable as CASC Constructions seeks to build on previous successes and capitalise on the significant opportunities both in Western Australia and the east coast of Australia as part of the Merged Group.

(3) **Joe Thomas**

Joe joined SRG in October 2014 as Executive General Manager Mining and Products.

Prior to commencing with SRG, Joe held General Manager roles at IES Resources, Queensland Rail, and Mountain Industries (a subsidiary of Asciano). He also held the role of Director of Coal Services at Bis Industries across a five year period.

Joe studied Mathematics at the Queensland University of Technology, has completed a Diploma in Business Coaching and the Advanced Management Program at INSEAD in Singapore.

(4) **Nick Combe**

Nick joined SRG in July 2017 as Executive General Manager Construction.

Nick has extensive leadership and management experience both in Australia and abroad. Before coming to Australia, Nick spent 13 years in Hong Kong working on some of the largest civil infrastructure projects being constructed in the world at that time including the Route3, Chek Lap Kok airport and Ting Kau Bridge. He was the Project Director on MRWA's largest road project in WA the Gateway Alliance and for the last three years held the role of General Manager WA / NT with CPB Contractors averaging an annual turnover of circa \$1 billion.

Nick holds a National Diploma in Construction Management from Nelson Mandela Metropolitan University in South Africa.

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(5) **Mike Clarke**

Mike joined SRG as Executive General Manager International in June 2016 and brings over 26 years international experience.

Prior to joining SRG, Mike held the role of General Manager (Macau) at Leighton Asia. He has also held senior roles on high profile and complex civil, building and mining projects throughout Asia.

A Chartered Engineer, Mike holds a Bachelor of Science degree from the University of Leeds and a Doctorate (Mining Engineering) from the University of Nottingham. He is also a member of the Hong Kong Institution of Engineers, the Institution of Materials, Minerals and Mining, and the Chartered Institute of Building.

10.13 Corporate governance

(a) **Corporate structure**

GCS will be the parent company of the Merged Group upon implementation of the Scheme and is proposed to be renamed SRG Global Limited following approval at the next GCS annual general meeting, proposed to be held in November 2018. SRG will be a wholly-owned subsidiary of SRG Global Limited following implementation of the Scheme.

(b) **Corporate governance**

As GCS will be the ultimate parent company of the Merged Group, SRG and GCS intend, at least initially, for the corporate governance policies and practices of the Merged Group to be those that GCS currently has in place. Refer to section 9.3 of this Scheme Booklet for information about these.

However, the corporate governance framework for the Merged Group will ultimately be determined by the Merged Group Board after implementation of the Scheme, having regard to the nature and size of the Merged Group. Any material changes to the Merged Group's policies and practices will be published on the Merged Group's website and announced to ASX in accordance with the Merged Group's disclosure obligations.

10.14 Capital structure and ownership

(a) **Share capital**

As at the Last Practicable Date, GCS had 222,181,412 ordinary shares on issue. Should the Scheme be approved by SRG Shareholders, GCS will issue approximately 216,884,266 GCS Shares in aggregate to SRG Shareholders to acquire a 100% interest in SRG pursuant to the Scheme.

Upon implementation of the Scheme, the Merged Group will have the following securities on issue:

| | |
|---|-----------------------------|
| GCS Shares on issue as at the Last Practicable Date | 222,181,412 |
| GCS Shares to be issued upon vesting of existing GCS Performance Rights | 1,350,000 ¹¹ |
| New GCS Shares to be issued as Scheme Consideration | ≈ 216,884,266 ¹² |
| Total | 440,415,678 |

GCS also has a contractual obligation to issue up to a further 4,056,852 GCS shares to vendors of the remaining 49% of the ordinary shares in Gallery Facades which GCS acquired on 4 June 2018 (as announced to ASX by GCS on 4 June 2018). The further shares will be issued on or about 31 August 2019, and the final number of shares to be issued depends on the EBITDA of the Gallery Facades for the 2019 financial year.

(b) **Options and performance rights**

Following implementation of the Scheme and the vesting of the 1,350,000 GCS Performance Rights, the Merged Group will have no options or performance rights on issue.

After implementation of the Scheme, the Merged Group Board intends to review and, subject to any shareholder approvals that may be required, implement appropriate incentive arrangements for key employees so as to align the interests of key employees. The terms of any new incentive plans and the employees who will be entitled in those plans will be determined by the Merged Group Board after implementation of the Scheme.

¹¹As explained in section 9.5(c) of this Scheme Booklet, there are currently 1,500,000 GCS Performance Rights on issue that are held by GCS's Managing Director, Enzo Gullotti. Of those, 150,000 are subject to a binding agreement with Mr Gullotti, for cancellation for nil consideration, conditional upon and with effect from the Court approving the Scheme at the Second Court Hearing. The remaining 1,350,000 will vest upon the Court approving the Scheme at the Second Court Hearing.

¹²This number is approximate only, based on 81,573,611 SRG Shares on issue plus a further 965,000 SRG Shares to be issued upon exercise of the SRG Options and 4,950,000 SRG Shares to be issued upon exercise of the SRG Performance Rights, all multiplied by 2.479 (being the exchange ratio for the calculation of the Scheme Consideration).

10.15 Financing arrangements

As set out in sections 8.6 and 9.8, SRG and GCS each have loan facilities in place. If the Scheme is implemented it will trigger certain consequences under these loan facilities.

As at the date of this Scheme Booklet, both SRG and GCS are in the process of obtaining the consents of their respective financiers to the implementation of the Scheme, so as to confirm that the existing facilities will remain in place from implementation. Subject to obtaining the necessary consents the Merged Group will continue to have access to the existing facilities.

Following implementation of the Scheme, the Merged Group intends to conduct a review of its funding arrangements.

10.16 Dividend policy

SRG has historically paid a dividend payout ratio of between approximately 50 - 60% of NPAT.

The GCS dividend target is a payout ratio approximately 50% of NPAT.

Following implementation of the Scheme, the Merged Group expects to continue declaring regular half yearly distributions to holders of the Merged Group shares, the amount of which will be determined, by the Merged Group Board.

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11. **PRO FORMA HISTORICAL FINANCIAL INFORMATION OF THE MERGED GROUP**

11.1 Forecast financial information

Each of the SRG Board and the GCS Board has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information in relation to the Merged Group, other than the general overview of the strategy and financial profile of the Merged Group set out in this Scheme Booklet. Each of the SRG Board and the GCS Board has concluded that such forecast financial information has the potential to be misleading and a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable to be of value to either set of shareholders.

11.2 The Merged Group

Following implementation of the Scheme SRG will become a wholly owned subsidiary of GCS, which will be renamed SRG Global Limited (subject to Merged Group Shareholders approving the change in name at the GCS 2018 annual general meeting). Following implementation of the Scheme the GCS Group and the SRG Group will together form the Merged Group.

11.3 Merged Group Financial Information

The historical financial information of the Merged Group provided in this section 11 comprises:

- (a) a pro forma consolidated statement of financial position as at 31 December 2017, which is based upon:
 - (1) GCS's consolidated statement of financial position as at 31 December 2017, which was extracted from GCS's interim financial report for the half year ended 31 December 2017, and was reviewed by BDO Audit and on which an unqualified review report was provided; and
 - (2) SRG's consolidated statement of financial position as at 31 December 2017, which was extracted from SRG's interim financial report for the half year ended 31 December 2017, and was reviewed by William Buck and on which an unqualified review report was provided;
- (b) a pro forma consolidated statement of financial performance for the year ended 30 June 2017, which is based upon:
 - (1) GCS's consolidated statement of financial performance for the year ended 30 June 2017, which was extracted from GCS's annual report for the year ended 30 June 2017, which was audited by BDO Audit and on which an unqualified audit opinion was provided; and
 - (2) SRG's audited consolidated statement of financial performance for the year ended 30 June 2017, which was extracted from SRG's annual report for the year ended 30 June 2017, which was audited by William Buck and on which an unqualified audit opinion was provided; and
- (c) a pro forma consolidated statement of financial performance for the half year ended 31 December 2017, which is based upon:
 - (1) GCS's consolidated statement of financial performance for the half year ended 31 December 2017, which was extracted from GCS's interim financial report for the half year ended 31 December 2017, and was reviewed by BDO Audit and on which an unqualified review opinion was provided; and
 - (2) SRG's consolidated statement of financial performance for half year ended 31 December 2017, which was extracted from SRG's interim financial report for the half year ended 31 December 2017, and was reviewed by William Buck and on which an unqualified review opinion was provided,

(together, the **Historical Financial Information**); and

(d) the relevant pro forma adjustments:

- (1) to the statement of financial position as at 31 December 2017 in order to present the Merged Group on a pro forma consolidated basis as at 31 December 2017 (**Merged Group Pro Forma Statement of Financial Position**); and
- (2) required to present the Merged Group on a pro forma consolidated basis for the year ended 30 June 2017 and the half year ended 31 December 2017 (**Merged Group Pro Forma Statements of Financial Performance**),

(together with the Historical Financial Information, the **Pro Forma Financial Information**).

11.4 Basis of preparation

The information in this section 11 is presented on a pro forma basis only, and as a result it is likely that this information will differ from the actual financial information for the Merged Group as at implementation of the Merger.

The Pro Forma Financial Information is provided for illustrative purposes only and is prepared in accordance with the recognition and measurement principles of applicable Australian Accounting Standards on the assumption that the Merger occurred:

- (a) on 31 December 2017, for the purposes of preparing the Pro Forma Statement of Financial Position; and
- (b) on 1 July 2016, for the purposes of preparing the Pro Forma Statements of Financial Performance.

The Pro Forma Financial Information also includes adjustments to reflect the business of TBS Group, legally acquired by SRG on 12 April 2018, as if it had also been acquired on the same dates as the Merger.

The Pro Forma Financial Information is presented in an abbreviated form insofar as it does not contain all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports usually provided in an annual report prepared in accordance with the Corporations Act.

GCS is the legal acquirer under the Scheme (in that, if the Scheme is implemented, GCS will acquire all of the SRG Shares on issue on the Scheme Record Date), such that GCS will be the parent and reporting entity of the Merged Group. The accounting policies of the Merged Group used in the compilation of the Pro Forma Financial Information assume there are no significant differences between SRG and GCS. A summary of the significant accounting policies of SRG is disclosed in their audited financial statements for the year ended 30 June 2017, available on ASX's website at www.asx.com.au or on the "Investor Centre" section of SRG's website at www.srglimited.com.au. A summary of the significant accounting policies of GCS is disclosed in its audited financial statements of GCS for the year ended 30 June 2017, available on ASX's website at www.asx.com.au or on the "Investor Centre" section of GCS's website at www.gcs.group.

No adjustments have been made in the Pro Forma Financial Information for any expected synergies or integration costs following the implementation of the Merger. Nor have any adjustments been made in the Pro Forma Financial Information for any one-off or non-recurring costs, other than those set out in the pro forma adjustments.

11.5 Pro-forma adjustments

(a) **Determining the accounting acquirer under AASB 3 'Business Combinations'**

Australian Accounting Standards require that where two or more entities combine through an exchange of equity for the purposes of a combination, one of the entities must be deemed to be the accounting acquirer.

GCS is the legal acquirer under the Scheme (in that, if the Scheme is implemented, GCS will acquire all of the SRG Shares on issue on the Scheme Record Date in exchange for issuing the New GCS Shares to Scheme Shareholders), and will therefore be the parent company of the Merged Group.

However, after assessing the guidance set out in Australian Accounting Standard AASB 3 'Business Combinations' and in particular the expected board and management composition of the Merged Group, SRG has been assessed to be the acquirer (of GCS) for accounting purposes in relation to the Pro Forma Financial Information.

(b) **Summary of acquisition accounting for the proposed Merger**

For the purposes of the Pro Forma Financial Information, a fair value of \$163 million has been determined to reflect the consideration that SRG is deemed to have paid based upon the closing price of SRG's shares as at 21 June 2018. The difference between this amount and the book value of GCS's pro forma net assets has been allocated to Intangible assets and goodwill.

Following implementation of the Merger, a detailed valuation of the identifiable assets, liabilities and contingent liabilities of GCS will be undertaken to ascertain the fair value of the assets and liabilities acquired. Furthermore, the value of the consideration deemed transferred for accounting purposes as at implementation of the Merger will be measured based upon the share price of SRG at the close of the last day of trading on ASX prior to implementation of the Merger and therefore will differ from that assumed for the purposes of the Pro Forma Financial Information.

Given the above, the actual impact of the acquisition accounting will differ from that presented below.

The allocation of the fair value of deemed consideration transferred is as follows:

| | Amount (AU\$) |
|---|--------------------|
| Fair value of consideration deemed transferred on completion | 163,416,580 |
| Fair value of the Company's net assets acquired | |
| Existing book value of the GCS's net assets as at 31 December 2017 ¹ | 156,115,000 |
| • Other adjustment (if any) ² | (567,000) |
| • Costs incurred by the Company (paid in cash) ³ | (800,000) |
| Adjusted book value of the Company's net assets pre-completion | 154,748,000 |

Notes:

¹ For the purposes of the Pro Forma Financial Information, the existing book value as at 31 December 2017 is assumed as being representative of the fair value.

² Represents cash payments to the GCS Managing Director of \$810,000 with associated tax impacts, refer to note (iii) in section 11.6.

³ Represents cash costs related to the Proposed Merger Transaction expected to be paid by GCS, refer to note (ii) in section 11.6.

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11.6 Pro Forma Statement of Financial Position of Merged Group as at 31 December 2017

31 December 2017

(in thousands of Australian Dollars)

| | SRG (as reported) | TBS (i) | SRG Pro Forma | GCS (as reported) | GCS pro forma adjust- ments | GCS Pro Forma | notes | Adjust- ments on acquisition | notes | Pro forma consoli- dated |
|--|-------------------------|---------------|------------------|-------------------------|--------------------------------------|------------------|--------------|------------------------------------|-------------|--------------------------------|
| Assets | | | | | | | | | | |
| Current assets | | | | | | | | | | |
| Cash and cash equivalents | 15,139 | 1,969 | 17,108 | 44,448 | (1,610) | 42,838 | (ii) & (iii) | (1,988) | (ii) & (iv) | 57,958 |
| Accounts receivable and prepaids | 46,748 | 11,200 | 57,948 | 31,279 | - | 31,279 | | - | | 89,227 |
| Value-added and other taxes receivables - current | 1,582 | - | 1,582 | 4,958 | - | 4,958 | | - | | 6,540 |
| Inventories | 9,966 | 4,296 | 14,262 | 13,046 | - | 13,046 | | - | | 27,308 |
| Other Current assets | 2,891 | - | 2,891 | - | - | - | | - | | 2,891 |
| Equity investment | 394 | - | 394 | - | - | - | | - | | 394 |
| Total current assets | 76,720 | 17,465 | 94,185 | 93,731 | (1,610) | 92,121 | | (1,988) | | 184,318 |
| Property, plant & equipment | 31,117 | 8,778 | 39,895 | 93,291 | - | 93,291 | | - | | 133,186 |
| Intangible assets and goodwill | 22,966 | 20,290 | 43,256 | 23,595 | - | 23,595 | | 8,669 | (v) | 75,520 |
| Deferred tax assets | 1,895 | 441 | 2,336 | 11,981 | - | 11,981 | | (885) | (vi) | 13,432 |
| Total assets | 132,698 | 46,974 | 179,672 | 222,598 | (1,610) | 220,988 | | 5,796 | | 406,456 |
| Liabilities and shareholders' equity | | | | | | | | | | |
| Current liabilities | | | | | | | | | | |
| Accounts payable and accrued liabilities | 26,722 | 7,683 | 34,405 | 27,097 | (243) | 26,854 | (iii) | (2,469) | (vi) | 58,790 |
| Financial liabilities | 4,993 | - | 4,993 | 1,590 | - | 1,590 | | - | | 6,583 |
| Provisions | 6,036 | 1,699 | 7,735 | 8,155 | - | 8,155 | | - | | 15,890 |
| Deferred income | - | - | - | 3,841 | - | 3,841 | | - | | 3,841 |
| Total current liabilities | 37,751 | 9,382 | 47,133 | 40,683 | (243) | 40,440 | | (2,469) | | 85,104 |
| Interest bearing loans and borrowings | - | 15,000 | 15,000 | - | - | - | | - | | 15,000 |
| Financial liabilities | 7,191 | - | 7,191 | 846 | - | 846 | | - | | 8,037 |
| Deferred income taxes | - | 955 | 955 | 16,635 | - | 16,635 | | - | | 17,590 |
| Provisions | 769 | 37 | 806 | 8,319 | - | 8,319 | | - | | 9,125 |
| Total liabilities | 45,711 | 25,374 | 71,085 | 66,483 | (243) | 66,240 | | (2,469) | | 134,856 |
| Net assets | 86,987 | 21,600 | 108,587 | 156,115 | (1,367) | 154,748 | | 8,265 | | 271,600 |
| Common shareholders' equity | | | | | | | | | | |
| Share capital | 42,424 | 24,000 | 66,424 | 147,725 | 11,963 | 159,688 | (iii) & (iv) | 11,119 | (v) & (vi) | 237,231 |
| Reserves | 1,745 | - | 1,745 | 768 | (11,855) | (11,087) | (iv) | 9,986 | (v) & (vi) | 644 |
| Other comprehensive loss | - | - | - | - | - | - | | - | | - |
| Retained earnings (deficit) | 42,818 | (2,400) | 40,418 | 8,452 | (2,305) | 6,147 | | (12,841) | | 33,724 |
| Total shareholders' equity | 86,987 | 21,600 | 108,587 | 156,945 | (2,197) | 154,748 | | 8,264 | | 271,599 |
| Non-controlling interest | - | - | - | (830) | 830 | - | (iv) | - | | - |

The following pro forma adjustments to the Historical Financial Information have been made in the compilation of the Pro Forma Statement of Financial Position, including the adjustments to reflect the impact of acquisition accounting and certain transactions and/or events post 31 December 2017.

i. Acquisition of TBS Group

The TBS Group was acquired by SRG on 1 April 2018 for initial consideration of \$35.9 million (inclusive of estimated completion adjustments), which was funded by \$15 million of debt and \$24 million through a capital raising. The final purchase price is pending the finalisation of completion statement adjustments, with the difference not expected to be material. The acquisition had associated transaction costs of \$2.4 million which have been expensed.

For the purposes of presenting the Merged Group Pro Forma Statement of Financial Position as at 31 December 2017, the unaudited statement of financial position of TBS Group as at 31 March 2018 (the effective economic date of its acquisition by SRG) has been utilised as it was deemed to be the most representative for the purpose of reflecting the financial position of the combined group on a go-forward basis.

The assets and liabilities of the TBS Group are shown prior to the full application of AASB 3 Business Combinations. Accordingly the various balances reflect the historical costs rather than the fair values as at 31 March 2018. The difference between the acquisition cost and net assets has been allocated to Intangible assets and goodwill.

ii. **Transaction costs**

The Merged Group is expected to incur transaction costs related to the Merger post 31 December 2017 of \$3.8 million. Of this \$3 million has been reflected as a decrease in cash within Adjustments on acquisition, \$800,000 reflected in GCS pro forma adjustments, all of which are assumed to be non-tax deductible and have been expensed in retained earnings.

For clarity, this \$3.8 million figure does not include the payments disclosed in note iii, immediately below.

iii. **Payments and benefits to GCS senior management**

Subject to implementation of the Merger, GCS has determined to pay its Managing Director, Enzo Gullotti, an aggregate cash amount of \$810,000 comprising of a lump sum component for his retirement as Managing Director of GCS, a retention component to retain his services as an Executive Director of the Merged Group and a component for Mr. Gullotti agreeing to a 3 year non-compete arrangement that will take effect after his employment as an Executive Director of the Merged Group ceases. See section 14.2 for more information. As described in section 9.5(c), if the Scheme becomes Effective, 1.35 million existing GCS Performance Rights held by Mr. Gullotti will vest, resulting in 1,350,000 GCS Shares being issued to Mr. Gullotti (valued at \$939,000), applying the price of GCS Shares as at close on 21 June 2018.

For the purposes of the Pro Forma Financial Information, the vesting of the GCS Performance Rights has been reflected as an increase in share capital and a reduction in retained earnings, with the cash payments reflected as a reduction in cash. All of the related payments have been tax affected.

iv. **Gallery Facades**

51% of the ordinary shares and voting rights in Gallery Facades were acquired by GCS in October 2016, with the remaining 49% of the ordinary shares and voting rights acquired in June 2018. The Pro Forma Statement of Financial Position as at 31 December 2017 has been adjusted to reflect the 100% ownership of the ordinary shares and voting rights in Gallery Facades by the Merged Group, through the removal of the non-controlling interest.

The consideration paid by GCS for the acquisition of the remaining 49% of Gallery Facades' ordinary shares and voting rights was 11.2 million GCS Shares (valued at \$8 million) issued on completion of the acquisition, with up to an additional 4.1 million GCS Shares (valued at \$2.9 million) required to be issued to the vendors on or about 31 August 2019, subject to an earn out arrangement based on the EBITDA of the Gallery Facades Group. Both issuances are subject to escrow arrangements, in each case for a minimum of three years (with release from escrow then staggered), and have been included in full in the determination of the cost of the non-controlling interest. The excess of the purchase price above the book value of the non-controlling 49% interest of \$8.9 million has been recognised within an equity reserve, as required by accounting standards.

v. **Transaction related adjustments**

The adjustment to share capital and other equity balances represents (for accounting purposes only) the elimination of GCS share capital and other equity balances of \$154.7 million, offset by the deemed consideration paid by SRG of \$163.4 million. The difference between the deemed consideration paid (again, for accounting purposes only) of \$163.4 million and net assets acquired of \$154.7 million has been recognised in Intangible assets and goodwill.

vi. **SRG options and performance rights**

Due to the change in control to SRG arising as a result of the Merger, 5.97 million SRG Options and SRG Performance Rights (together, in aggregate) will vest. The acceleration in their vesting results in \$1.0 million of cash being received by SRG (based on the assumption that all in the money options will be exercised), and \$5.3 million of expense offset by an increase in share capital and reserves. The estimated tax impacts will depend on the future share price of SRG and have been calculated for the Pro Forma using the assumption that the income statement expense is equal to the tax deduction.

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11.7 Pro Forma Statement of Financial Performance of Merged Group as at 30 June 2017 and 31 December 2017

Year ended 30 June 2017

(in thousands of Australian Dollars)

| | SRG (as reported) | Total SRG pro forma adjust- ments | notes | SRG Pro Forma | GCS (as reported) | Total GCS pro forma adjust- ments | notes | GCS Pro Forma | Pro forma consoli- dated |
|--|-------------------------|--|-------------|------------------|-------------------------|--|------------|------------------|--------------------------------|
| Revenues | | | | | | | | | |
| Revenue from services | 222,072 | 75,469 | (i) | 297,541 | 203,935 | 2,207 | (iv) | 206,142 | 503,684 |
| Sale of goods | 5,412 | - | | 5,412 | 3,763 | (920) | (iv) | 2,843 | 8,255 |
| Other | 2,525 | - | | 2,525 | 307 | - | | 307 | 2,832 |
| Cost of sales | | | | | | | | | |
| Construction and servicing costs | (109,597) | (27,852) | (i) | (137,449) | (81,446) | (16,656) | (iv) | (98,102) | (235,551) |
| Employee benefits expense | (96,515) | (37,026) | (i) | (133,541) | (76,277) | 5,833 | (iv) | (70,444) | (203,985) |
| Occupancy | - | - | | - | (7,504) | 3,395 | (iv) | (4,109) | (4,109) |
| Repairs and maintenance | - | - | | - | (1,924) | 1,554 | (iv) | (370) | (370) |
| Share-based payments | - | - | | - | - | - | | - | - |
| Other gain/(losses) | 5,301 | (4,962) | (i) & (ii) | 339 | (528) | 528 | (ii) & (v) | - | 339 |
| Share of profit of equity accounted investees (net of tax) | - | - | | - | 425 | (425) | (v) | - | - |
| Other | (12,336) | (1,322) | (i) | (13,658) | (11,662) | 1,844 | (iv) | (9,818) | (23,476) |
| EBITDA | 16,862 | 4,307 | | 21,169 | 29,089 | (2,640) | | 26,449 | 47,619 |
| Depreciation and amortisation | (5,025) | (1,656) | (i) | (6,681) | (6,490) | 1,927 | (iv) | (4,563) | (11,244) |
| EBIT | 11,837 | 2,651 | | 14,488 | 22,599 | (712) | | 21,887 | 36,375 |
| Finance costs | (285) | (758) | (i) & (iii) | (1,043) | (2,735) | 2,231 | (iv) | (504) | (1,547) |
| Income before withholding and other taxes | 11,552 | 1,893 | | 13,446 | 19,864 | 1,519 | | 21,383 | 34,828 |
| Current income and withholding taxes | (2,145) | (432) | (i) | (2,577) | (1,911) | (535) | (iv) | (2,446) | (5,023) |
| Deferred income tax | (1,581) | - | | (1,581) | (5,101) | - | | (5,101) | (6,682) |
| Net income for the period | 7,826 | 1,462 | | 9,288 | 12,852 | 984 | | 13,836 | 23,123 |
| Non-controlling interest | - | - | | - | 1,978 | (1,978) | (vi) | - | - |

Half year ended 31 December 2017

(in thousands of Australian Dollars)

| | SRG (as reported) | Total SRG pro forma adjust- ments | notes | SRG Pro Forma | GCS (as reported) | Total GCS pro forma adjust- ments | notes | GCS Pro Forma | Pro forma consoli- -dated |
|--|-------------------------|--|-------------|------------------|-------------------------|--|-------|------------------|---------------------------------|
| Revenues | | | | | | | | | |
| Revenue from services | 102,043 | 33,592 | (i) | 135,635 | 111,812 | - | | 111,812 | 247,447 |
| Sale of goods | 2,639 | - | | 2,639 | 750 | - | | 750 | 3,389 |
| Other | 193 | - | | 193 | 271 | - | | 271 | 464 |
| | - | - | | - | - | - | | - | - |
| Cost of sales | | | | | | | | | |
| Construction and servicing costs | (41,105) | (15,816) | (i) | (56,921) | (60,978) | - | | (60,978) | (117,899) |
| Employee benefits expense | (51,254) | (14,734) | (i) | (65,988) | (34,029) | - | | (34,029) | (100,017) |
| Occupancy | | - | | - | (2,235) | - | | (2,235) | (2,235) |
| Other gain/(losses) | 355 | (292) | (ii) | 63 | | - | | - | 63 |
| Share of profit of equity accounted investees (net of tax) | 394 | - | | 394 | | - | | - | 394 |
| Other | (6,938) | 12 | (i) | (6,926) | (4,516) | - | | (4,516) | (11,442) |
| | - | - | | - | - | - | | - | - |
| EBITDA | 6,327 | 2,761 | | 9,088 | 11,075 | - | | 11,075 | 20,163 |
| | - | - | | - | - | - | | - | - |
| Depreciation and amortisation | (3,071) | (786) | (i) | (3,857) | (1,959) | - | | (1,959) | (5,816) |
| | - | - | | - | - | - | | - | - |
| EBIT | 3,256 | 1,975 | | 5,231 | 9,116 | - | | 9,116 | 14,347 |
| | - | - | | - | - | - | | - | - |
| Finance costs | (212) | (513) | (i) & (iii) | (725) | (104) | - | | (104) | (829) |
| | - | - | | - | - | - | | - | - |
| Income before withholding and other taxes | 3,044 | 1,462 | | 4,506 | 9,012 | - | | 9,012 | 13,518 |
| | - | - | | - | - | - | | - | - |
| | - | - | | - | - | - | | - | - |
| Current income and withholding taxes | (641) | (458) | (i) | (1,099) | (2,847) | - | | (2,847) | (3,946) |
| Deferred income tax | | - | | - | | - | | - | - |
| Net income for the period | 2,403 | 1,004 | | 3,407 | 6,165 | - | | 6,165 | 9,572 |
| Non-controlling interest | - | - | | | 713 | (713) | (vi) | - | - |

Notes to the pro forma adjustments

The following pro forma adjustments to the Historical Financial Information have been made in the compilation of the Pro Forma Statement of Financial Performance for the year ended 30 June 2017 and the half year ended 31 December 2017, including the adjustments to reflect the impact of acquisition accounting and certain transactions and/or events post 31 December 2017.

i. **Acquisition of TBS Group**

The TBS Group was acquired by SRG on 12 April 2018.

TBS Group's financial performance has been included in both the Merged Group Pro Forma Statement of Financial Performance for the year ended 30 June 2017 and the half year ended 31 December 2017 in order to reflect the go forward business.

The TBS Group's statement of financial performance has been extracted from the unaudited management accounts for the year ended 30 June 2017 and the half year ended 31 December 2017. The unaudited management accounts for the year ended 30 June 2017 were reconciled to the TBS Group financial statements for the year ended 30 June 2017, which were audited.

ii. **Gains and losses from asset sales**

The Pro Forma Statements of Financial Performance have been adjusted to remove gains and losses from the sale of assets and divestment of equity interests that are not considered part of the Merged Group operations. The adjustments relate to:

- (1) reversal of a \$3.9 million gain on sale recognised in respect of SRG's sale of a Melbourne property in FY17;
- (2) reversal of a \$1.0 million gain on revaluation of contingent consideration payable in respect of SRG's acquisition of CCM Group Australia Pty Ltd;
- (3) reversal of a \$0.5 million loss on sale of GCS's interest in an associate (SmartScaff Pty Ltd) in FY17;

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- (4) reversal of \$0.3 million gain on revaluation of contingent consideration payable in the half year ended 31 December 2017 in respect of SRG's acquisition of CCM Group Australia Pty Ltd; and
- (5) the impact of the above adjustments on income tax expense.

iii. **Interest on TBS acquisition related borrowings**

SRG secured a loan facility of \$15 million in order to partially fund the cash consideration payable to the vendor of the TBS Group on 31 March 2018. The loan facility has an interest rate of 4.095% per annum. Consistent with an assumed acquisition date of 1 July 2016, the Pro Forma Statements of Financial Performance have been adjusted to include interest expense related to the loan of \$0.6 million and \$0.3 million in FY17 and H1 FY18 respectively. The calculation of income tax expense has been adjusted accordingly.

iv. **Sale of GCS Hire**

GCS sold its equipment hire division, GCS Hire, on 2 November 2017. The Pro Forma Statements of Financial Performance have therefore been adjusted to remove the financial results related to the GCS Hire business.

v. **SmartScaff Pty Ltd**

GCS divested its investment in SmartScaff Pty Ltd on 14 October 2016. This investment was accounted for using the equity method. Both, the gain on disposal and equity accounted share of net income after tax have been removed from the Pro Forma Statements of Financial Performance.

vi. **Gallery Facades**

51% of the ordinary shares and voting rights in Gallery Facades were acquired by GCS in October 2016, with the remaining 49% of ordinary shares and voting rights acquired in June 2018. The Pro Forma Statements of Financial Performance have been adjusted to reflect the 100% ownership of the ordinary shares and voting rights in Gallery Facades by Merged Group.

Items not reflected within the Pro Forma Financial Information

The following items have not been adjusted in the Pro Forma Financial Information:

(a) **Depreciation and amortization**

The depreciation and amortization have not been adjusted to reflect any change in asset value resulting from acquisition accounting for:

- (1) the Merger; or
- (2) SRG's acquisition of TBS Group.

SRG and GCS consider that any resulting change in depreciation and amortization would be immaterial.

(b) **New accounting standards**

The Pro Forma Financial Information as presented above, has not been adjusted to reflect the upcoming new accounting standards, AASB 15 Revenue and AASB 16 Leases.

AASB 15 Revenue would be applicable to the Merged Group from 1 July 2018 and is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard is not expected to have a material impact on revenue as presented.

AASB 16 Leases is applicable to the Merged Group from 1 July 2019. The standard will affect primarily the accounting for the Merged Group's operating leases. As at 30 June 2017¹³ the Merged Group has non-cancellable operating lease commitments of \$38.4 million.

However, the Merged Group has not yet assessed what other adjustments, if any, would be necessary on adoption of the new standard. Areas that could give rise to further impact include the impact of the change in the definition of the leases, the assessment of the lease term incorporating extension and termination options and the different treatment of variable lease payments. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Merged Group's statement of financial performance and classification of cash flows going forward.

¹³February 2018 in respect of TBS Group.

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12. RISK FACTORS

12.1 Introduction

In considering the Scheme, you should be aware that there are a number of risk factors, both general in nature and those specific to the Scheme.

This section outlines some of the:

- specific risk factors relating to the Scheme and the creation of the Merged Group (see section 12.2 of this Scheme Booklet); and
- risks relating to the Merged Group (see sections 12.3 and 12.4 of this Scheme Booklet).

A significant number of the risks related to the Merged Group are, or will be, risks to which SRG Shareholders are already exposed, and will continue to be exposed to even if the Scheme does not proceed. If the Scheme does proceed, the nature of the Merged Group's business will change (from that of the standalone business of SRG) and accordingly, SRG Shareholders will potentially be exposed to additional risks in respect of the Merged Group.

These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of SRG Shareholders. If you do not understand any part of this Scheme Booklet or are in any doubt as to how to vote in relation to the Scheme, it is recommended that you consult your legal, financial, taxation or other professional adviser before deciding how to vote.

You should carefully consider the risk factors discussed in this section 12, as well as the other information contained in this Scheme Booklet before voting on the Scheme.

12.2 Specific risks relating to the Scheme and the creation of the Merged Group

The following risks will apply to the Merged Group if the Scheme proceeds. As they are related to the Scheme, they do not currently apply to either GCS or SRG as standalone entities or businesses.

(a) Integration risks and realisation of anticipated synergies

The success of the Merged Group will depend, among other things, on the ability to integrate the businesses of GCS and SRG, including the operations, technology and personnel of each entity, which it should be noted already include some relatively recent acquisitions that are still being integrated into the respective group structures. The successful integration of the businesses will depend on a range of factors, including organisational and cultural compatibility and operational integration.

If integration is not achieved in an effective manner, the full benefits of the combination of the two businesses, including any anticipated synergies, may be achieved only in part or not at all. This could adversely impact the Merged Group's financial performance and position and the future prospects of the Merged Group. Reasons for this may include unexpected/unplanned delays, challenges, liabilities and costs in relation, but not limited to, integrating operating and management systems such as IT, information or accounting systems and the loss of key personnel of the Merged Group.

(b) The exact value of the Scheme Consideration is not certain

If the Scheme is implemented, SRG Shareholders (other than Ineligible Foreign Shareholders) will receive New GCS Shares as the Scheme Consideration.

The implied value of the Scheme Consideration will vary over time depending on the prevailing GCS Share price and as a result, the implied value of the Scheme Consideration is likely to change, including between the date of this Scheme Booklet, the date of the Scheme Meeting and the date on which the Scheme Consideration is issued to Scheme Shareholders on implementation.

Following implementation of the Scheme, the price of New GCS Shares will continue to rise or fall based on market conditions and the Merged Group's financial and operating performance.

In relation to Ineligible Foreign Shareholders, the Nominee will be issued the New GCS Shares to which Ineligible Foreign Shareholders would otherwise have been entitled and will be seeking to sell those securities on ASX as soon as reasonably practicable on or after the Implementation Date. There is no guarantee regarding the price that will be realised by the Nominee (or the proceeds of sale that are ultimately delivered to Ineligible Foreign Shareholders after deducting any reasonable brokerage or other selling costs, taxes and charges), and it is possible that such sales may exert downwards pressure on the price of New GCS Shares in the period following the Implementation Date. In providing services to GCS in connection with the sale of the New GCS Shares to which the Ineligible Foreign Shareholders would otherwise have been entitled, the Nominee is not acting as agent or sub agent of any Ineligible Foreign Shareholder.

More generally (and as explained in further detail in section 12.3(a) below), the future share price of the New GCS Shares is uncertain. Future share prices may be either above or below current or historical share prices. Information about the current trading prices of GCS Shares may be obtained from www.asx.com.au.

(c) **Accounting risk**

Each of GCS and SRG, as standalone entities, have particular accounting policies and methods which are fundamental to how they record and report their financial position and results of operations. The GCS and SRG Directors may have exercised judgment in selecting accounting policies or methods in respect of GCS and SRG (respectively), which might have been reasonable in the circumstances yet might have resulted in reporting materially different outcomes than would have been reported under the other company's policies and methods. The integration of GCS's and SRG's accounting functions may lead to revisions of these accounting policies, which may adversely impact on the Merged Group's reported results of operations and/or financial position and performance.

(d) **Court approval and delays**

There is a risk that the Court may not approve the Scheme, or that the approval of the Court may be delayed. In particular, if there is a material change in circumstances between the Scheme Meeting and the Second Court Date, then the Court will have regard to that change in deciding whether to approve the Scheme. If such changes are so important that they materially alter the Scheme, there is a risk that the Court may not approve the Scheme at the Second Court Hearing.

(e) **Tax consequences for Scheme Shareholders**

If the Scheme proceeds, there may be tax consequences for Scheme Shareholders. Scheme Shareholders should seek their own professional advice regarding the individual taxation consequences of the Scheme.

Further information on the taxation consequences of the Scheme is set out in section 13 of this Scheme Booklet.

(f) **Change of control**

Some contracts to which SRG, GCS and their respective subsidiaries are party (including contracts with customers, lenders and joint venture partners), contain change of control or deemed assignment provisions that could be triggered by the Scheme (including by entry into the Scheme Implementation Deed, implementation of the Scheme, changes to the composition of the board of directors or other events in connection with or otherwise contemplated by the Scheme). If any such provision is triggered, this may allow the counterparty to review, adversely modify, exercise rights under or terminate the contract. If a counterparty to any such contract were to do so, this may have an adverse effect on the Merged Group, which may be material (depending on the materiality of the relevant contract).

As at the date of this Scheme Booklet, SRG and GCS have undertaken a process to identify those of SRG's material contracts in respect of which consents or waivers may be required under such provisions (in connection with or as a consequence of the Scheme), and intend to seek those waivers and consents as soon as practicable.

(g) **Change in risk and investment profile**

After implementation of the Scheme, Scheme Shareholders will be exposed to risk factors relating to GCS, and certain additional risks relating to the Merged Group and the integration of the two businesses.

In particular, the asset portfolio, capital structure and size of the Merged Group will be different from that of SRG on a standalone basis. These changes in risk and investment profile may be considered a disadvantage by some SRG Shareholders.

(h) Transaction costs

If the Scheme is implemented, external costs of approximately \$3 million (excluding GST) are expected to be paid by SRG. This includes financial advisory, legal, accounting, Independent Expert, tax and administration fees, Scheme Booklet design, printing and distribution, SRG Share Registry and other expenses. In addition, additional external costs of approximately \$800,000 (excluding GST) are expected to be paid by GCS. This includes financial advisory, legal, accounting and administration fees and other expenses. Therefore, total transaction costs of approximately \$3.8 million are expected to be incurred by the Merged Group if the Scheme is implemented.

Transaction related costs of approximately \$1.5 million are expected to be incurred by SRG irrespective of whether or not the Scheme is implemented.

Further details of the estimated costs are set out in section 14.8 of this Scheme Booklet.

12.3 Specific risks relating to the Merged Group

(a) Share market conditions

There are risks associated with any investment in securities. Publicly listed securities and, in particular, securities of companies participating in the mining sector, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies.

General factors that may affect the market price of shares include economic conditions in Australia and internationally, investor sentiment and local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

These factors may materially affect the market price of New GCS Shares regardless of the Merged Group's performance. As such the past performance of GCS or SRG is not necessarily an indication as to the future performance the Merged Group.

GCS will issue a significant number of New GCS Shares under the Scheme. Some SRG shareholders may not intend to continue to hold their New GCS Shares following implementation of the Scheme and may wish to sell them on the ASX (as applicable). There is a risk that if a significant number of GCS Shareholders seek to sell their GCS Shares or New GCS Shares, this may adversely impact the price of GCS Shares. Investor and analyst perceptions of the Merged Group will also impact the price of New GCS Shares.

There can be no guarantee that there will continue to be an active market for GCS Shares or that the price of GCS Shares will increase. Neither GCS, SRG nor the GCS Board or SRG Board makes any warranty as to the future performance of the Merged Group or any return on an investment in the Merged Group.

(b) Dividends

The payment of dividends by the Merged Group will be determined by the Merged Group Board from time to time at its discretion, and will be dependent upon factors including the profitability and cash flow of the Merged Group's business at the relevant time. Any dividends paid by SRG if the Scheme is not successful will be subject to similar considerations.

The Merged Group will provide services in the construction, infrastructure and mining industries. Although the Merged Group will have a diverse client base, a downturn in these industries in Australia and the other jurisdictions in which the Merged Group will operate may adversely affect the Merged Group's financial performance and operating results. This may result in variations in the capability of the Merged Group to make dividend payments to shareholders through such downturns.

(c) Foreign exchange rates

Doing business internationally will expose the Merged Group to risks related to the value of one currency compared to another. The functional currency for the Merged Group for accounting purposes will be Australian dollars. However, the Merged Group may earn revenues and incur expenditures in other currencies, principally denominated in the currency in the location in which activities are undertaken. In cases where the Merged Group's debt or other obligations are in currencies different to the functional currency of the borrowing entity, the Merged Group's earnings may be impacted positively or adversely as a result of fluctuations in exchange rates. As a result, the financial performance and results of the Merged Group will be impacted by the relative performance of the relevant currencies and conversion of costs and revenue to Australian dollars. The Merged Group may use derivative instruments in order to hedge against movements in currency exchange rates. Too much exposure in the derivative markets relative to the Merged Group's exposure in the spot market may have a material adverse effect on the Merged Group.

(d) Professional negligence and product liability claims risk

The Merged Group will be a professional service provider, and manufacturer and supplier of specialist products, and as such will be exposed to the risk of professional negligence and product liability claims against it. The Merged Group will maintain professional indemnity and product liability insurance to mitigate its exposure to liability in the event of a professional negligence or product liability claim against it. However, if a professional negligence or product liability claim against the Merged Group was successful, this may adversely affect the Merged Group's reputation, increase future insurance costs and, to the extent the claim was not insured or indemnity was refused by the insurer, cause material financial loss.

In addition, any claim or litigation, whether or not settled and whether or not determined in the Merged Group's favour, may result in negative publicity, significantly increase the Merged Group's operating costs and require significant time and attention of management and technical personnel. This may adversely impact the financial performance, financial position, cash flow and share price of the Merged Group.

(e) Cost overrun risk

Commencement of contracts by the Merged Group and provision of services under those contracts may be delayed past the expected commencement date. In addition, the Merged Group's provision of services under such contracts may also be impacted by the customer requesting to delay or reduce the level of services provided, or adverse weather conditions.

The Merged Group's ability to perform its obligations and commence earning revenue may also be dependent on customers or other third parties performing their own contractual arrangements in a timely manner. Any delay in the commencement or performance of services under a contract for any reason may result in a delay in the Merged Group receiving revenue or may cause the Merged Group to incur additional costs.

The Merged Group will perform certain services under fixed price contracts. If unforeseen circumstances arise and the costs of performing those services increase, the Merged Group may not always be able to recover those increased costs, resulting in lower revenues or even losses under those contracts.

The above factors could have an adverse impact on the Merged Group's financial performance.

(f) Regulatory risk

The Merged Group's business activities will be subject to laws and regulations, the number of which will increase with the geographical expansion of the Merged Group. A failure to comply with relevant laws and regulations may result in operations being impacted and financial penalties, along with the potential for associated damage to the reputation of the Merged Group. The possible nature and extent of changes to legislation, regulations or guidelines or their interpretation or administration cannot be predicted with any certainty. Such changes may result in the imposition of more onerous obligations on the Merged Group and, in turn, impact on the planned activities of the Merged Group and its operating and financial performance.

(g) Workplace health and safety risk

The Merged Group's operations involve a variety of risks to the health and safety of its personnel. A failure to maintain adequate systems and processes to avoid or mitigate the risks of health and safety incidents may result in events affecting the health and safety of the Merged Group's personnel which, in turn, may result in regulatory or other legal action against the Merged Group. This could lead to increased operating costs, legal liability, regulatory action, the loss of operating licenses and/or damage to the Merged Group's reputation.

(h) Financing risks and capital requirements

The Merged Group's capital requirements will depend on a number of factors. While every care has been taken in estimating the capital cost and future operating costs for the Merged Group's business, including contingency, the actual costs experienced in the Merged Group's services may vary from its estimates. Any variations could adversely affect the Merged Group's financial position and performance.

Following implementation of the Scheme, the Merged Group is expected to have sufficient funding (based on existing estimates of funding requirements) in relation to SRG's and GCS's existing operations (which will become the operations of the Merged Group). However, further funding may be required in the future for the Merged Group's growth, development and ongoing activities. The Merged Group may need to seek alternative or further funding (either in the form of debt or equity).

Any debt funding, if available, may involve restrictions on the Merged Group's financing and operating activities, or its business strategy, and additional equity funding may dilute shareholders and may be undertaken at lower prices than the current market price. No assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Merged Group's or at all.

In the ordinary course of operations, the Merged Group will be required to issue financial assurances, particularly insurances and bond/bank guarantee instruments, to secure statutory and environmental performance undertakings and commercial arrangements. The Merged Group's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

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(i) **Availability and cost of key equipment**

The Merged Group requires specific products, plant and equipment and construction materials to provide its full suite of complex services. Any delay, lack of supply or increase in price in relation to such equipment and material could adversely impact the financial position of the Merged Group.

(j) **Export and import regulations**

The import and export policies of any jurisdiction in which the Merged Group operates may change in the future. As the revenues of the Merged Group depends (at least in respect of its product operations) upon the process of exporting, the profitability and financial position of the Merged Group may be adversely affected by any such adverse import and export regulations.

(k) **Competition risk**

Competition in the construction and services industry is significant, and competition from other construction and specialist contracting and services companies may impact the future profitability of the Merged Group. Competition includes major construction companies in Australia and internationally, some of which possess greater financial and other resources than the Merged Group and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Merged Group can compete effectively with these companies. Further, the Merged Group may face competition from new construction and specialist services companies or facilities, which may lower contract prices.

The Merged Group may be unable to acquire new projects required to sustain or increase its future production level due to competition from such other companies.

(l) **Key personnel and labour**

A number of key personnel are important to attaining the business goals of the Merged Group. One or more of these key employees could leave their employment, and this may adversely affect the ability of the Merged Group to conduct its business and, accordingly, affect the financial performance of the Merged Group and the price of GCS Shares. Recruiting and retaining qualified personnel are important to the success of the Merged Group.

The number of persons skilled in the types of services which the Merged Group will provide (and specialises in) is limited and competition for such persons can be strong, depending on market conditions. In addition, any disputes with employees (through personal injuries, industrial matters or otherwise), changes in labour regulations, or other developments in the area may cause labour disputes, work stoppages or other disruptions in production that could adversely impact the Merged Group's operations.

To mitigate this risk, the Merged Group will be initiating and managing a comprehensive talent management process, professional development regime and also ensuring ongoing research/ benchmarking is undertaken to ensure its salaries and wages are market competitive.

(m) **Key contractors**

The Merged Group may use external contractors or service providers for its activities, and as such the failure of any current or proposed contractors, sub-contractors or other service providers to perform their contractual obligations may negatively impact the business of the Merged Group. GCS and SRG cannot guarantee that such parties will fulfil their contractual obligations and there is no guarantee that the Merged Group would be successful in enforcing any of its contractual rights through legal action. Further, the insolvency or managerial failure by any such contractors or other service providers may pose a significant risk to the Merged Group's operating and financial performance and financial position.

(n) **International expansion**

The Merged Group may face risks associated with the SRG Group's relatively recent international expansion of its operations. The Merged Group has limited operating history outside of Australia and its ability to manage its business and successfully conduct operations internationally is subject to various challenges in operating a business in an unfamiliar foreign environment. These challenges include compliance with the laws and regulations of multiple jurisdictions, adapting to local business practices, competing with local and established operators, overcoming potential difficulties in staffing and managing foreign operations and the increased travel, infrastructure and legal compliance costs associated with international operations.

(o) **Early contract termination and contract variations**

As is common practice in industries and sectors within which they operate, some contracts to which SRG, GCS and their respective subsidiaries are party may be terminable for convenience or otherwise on short notice. The contractual relationship for such contracts might allow termination for convenience without penalty, with the customer paying for all work completed to date, unused material and in most cases demobilisation from the site and redundancies. As a result, there can be no assurance that work in hand will be realised as revenue in future periods.

While SRG and GCS have no reason to believe that existing contracts will be terminated, there can be no assurance that this will not occur, particularly given the various termination rights which may be triggered if certain change of control events occur. The financial performance of the Merged Group is therefore susceptible to the loss of one or more major contracts or customers.

Similarly, there is also a risk that the Merged Group's claims for contract variations may be disputed and not ultimately agreed, or may be insufficiently certain at a point in time such that they cannot be brought to account in a given accounting period. This may have an adverse impact on the Merged Group's reported performance in any given accounting period.

(p) **Permits, licences, accreditations and certifications**

The Merged Group will be required to hold certain operating permits, licences, accreditations and certifications to conduct its business. Loss of, failure to comply with or failure to hold such required permits, licences, accreditations and certifications may directly impact the Merged Group's ability to fulfil its contractual obligations and adversely affect profitability.

12.4 General risks relating to the Merged Group

(a) **Economic conditions**

Any deterioration or adverse changes in macroeconomic conditions, including global, regional and local economic growth, the costs and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending and sentiment, and levels of unemployment, amongst others, are outside of the control of the Merged Group and may result in material adverse impacts on the demand for the Merged Group's services and the Merged Group's financial performance and operating results.

(b) **Insurance**

The Merged Group will endeavour to maintain insurance for its operations within ranges of coverage that it believes to be consistent with industry practice. However, insurance proceeds may not be adequate to cover all potential liabilities and losses. In addition, professional indemnity insurance is not always available and no assurance can be given that the Merged Group will be able to obtain insurance coverage in the future at reasonable rates or that any coverage it arranges will be adequate and available to cover claims.

Where the Merged Group is unable to obtain appropriate insurance for work it undertakes, or the relevant insurance policy does not apply as anticipated, the Merged Group may be exposed to material uninsured losses which, in turn, may impact upon the financial performance of the Merged Group.

(c) **Wars, terrorism and natural disasters**

Events may occur within or outside the Merged Group's key markets that could impact upon relevant economies and the operations of the Merged Group. The events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for the Merged Group's services and its ability to conduct business.

(d) **Litigation**

The risk of litigation and claims is a general risk of the Merged Group's business. The nature of the Merged Group's business means that it is likely to be involved in litigation or regulatory actions arising from a wide range of matters, including customer claims, contractual claims, and occupational health and safety claims. Any claims, litigation or investigation, with or without merit, and whether or not settled out of court or determined in the Merged Group's favour, may result in negative publicity, significantly increase the Merged Group's operating costs and require significant time and attention of management and technical personnel. The Merged Group may incur costs in making payments to settle any such claims or complying with any court order which may not be adequately covered by insurance, or at all. This may adversely impact the financial performance, financial position, cash flow and share price of the Merged Group.

Except as disclosed in this Scheme Booklet, GCS and SRG are not aware of any material disputes or litigation that is underway, pending or threatened.

(e) **Risks related to acquisitions and future growth initiatives**

GCS and SRG regularly identify and assess potential opportunities for acquisitions and growth initiatives where they consider the opportunities may create shareholder value. The Merged Group will continue to identify and assess such opportunities. However, while the Merged Group intends to undertake appropriate due diligence to properly assess any such opportunities, benefits expected from investments, acquisitions or growth opportunities may take longer than expected to be achieved, or not be achieved at all, which may have a material adverse impact on the value of the Merged Group.

(f) **Tax risk**

Changes in the interpretation or application of existing taxation laws by the courts or taxation authorities in Australia, or changes to the laws themselves, may affect the taxation treatment of an investment in the Merged Group's shares or the holding or disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which the Merged Group operates, may impact the Merged Group future tax liabilities.

12.5 Risks and implications for SRG if the Scheme is not implemented

(a) **Implications**

If the Scheme does not proceed:

- SRG will remain listed on ASX as a standalone entity; and
- SRG Shareholders will retain their SRG Shares; and
- the benefits anticipated from the Merger will not be realised.

(b) **Risks for SRG as a standalone entity**

If the Scheme does not proceed, and no Superior Proposal is forthcoming, the SRG Board intends to continue with its existing development strategy in which it seeks to increase brand recognition, secure specialised civil projects of large scale, and grow in target markets (both organically, and in some instances in an accelerated fashion by selective acquisitions).

There are a number of risks, including or of the nature of the risks outlined in sections 12.2, 12.3 and 12.4 above with respect to the Merged Group, that may affect SRG's performance and operations more broadly.

(c) **Transaction costs already incurred**

As referred to above in section 12.2(h), before the Scheme Meeting, SRG estimates that it will have incurred or committed one-off transaction costs of approximately \$1.5 million in relation to the Scheme. These costs have already been incurred or will be payable by SRG regardless of whether or not the Scheme is implemented.

13. TAX CONSIDERATIONS



The Directors
SRG Limited
Level 1, 338 Barker Road
SUBIACO WA 6008

13 July 2018

Dear Directors

Scheme of Arrangement – Australian Tax Implications

PricewaterhouseCoopers has been engaged by SRG to provide a general overview of the Australian income tax, GST and stamp duty implications for SRG shareholders who participate in the proposed Scheme between SRG, Scheme Shareholders (i.e. SRG Shareholders) and GCS. Under the Scheme, each of the SRG Shares owned by participating Scheme Shareholders will be acquired by GCS in return for the Scheme Consideration.

This letter has been prepared for inclusion at Attachment A of the Scheme Booklet which will be distributed to Scheme Shareholders. This document should be read together with the Scheme Booklet.

This letter provides a general summary of the Australian income tax, GST and stamp duty considerations for the Scheme Shareholders on implementation of the Scheme (subject to the exclusions below). In providing our views, we have relied upon facts as set out in the Scheme Booklet that have not been independently verified by PricewaterhouseCoopers. The summary contained in the letter does not provide an exhaustive consideration of all possible Australian income tax, GST and stamp duty implications that could apply to Scheme Shareholders in relation to the Scheme. Furthermore, this summary does not consider any tax implications in jurisdictions outside of Australia.

Only Scheme Shareholders that are individuals, complying superannuation funds and corporate shareholders that hold their shares on capital account have been considered in this summary. In particular, our comments are not intended to cover Scheme Shareholders, who:

- are exempt from Australian income tax;
- hold their SRG Shares on revenue account or as trading stock;
- are partnerships, persons that are partners of such partnerships;
- acquired their SRG Shares, or any rights in relation to SRG Shares, under an employee share scheme or similar employee incentive plan;
- acquired their SRG Shares before 20 September 1985;
- are under a legal disability; or
- are subject to the taxation of financial arrangements rules in Division 230 of the Tax Act in relation to gains and losses on their SRG Shares.

This summary is based upon Australian taxation law and administrative practice in effect as at the date of this Scheme Booklet and PricewaterhouseCoopers does not undertake to update this summary for any changes in the Australian tax law after the date of this letter. This summary is not intended to be an authoritative or comprehensive analysis of the taxation laws of Australia.

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PricewaterhouseCoopers has not sought to have this summary ruled upon by the Australian Taxation Office (ATO) and, therefore, there is a risk that the ATO may not agree with our overview or aspects of it.

This summary does not constitute tax advice and is intended only as a general guide to the Australian tax implications of participating in the Scheme. It does not consider any specific facts or circumstances that may apply to particular Scheme Shareholders. As the tax consequences to Scheme Shareholders of participating in the Scheme will depend on each Scheme Shareholder's individual circumstances, all Scheme Shareholders are advised to seek independent professional advice regarding the Australian and foreign tax consequences of the Scheme according to their own particular circumstance.

1. Australian Tax Resident Shareholders

This Section applies to Scheme Shareholders who are residents of Australia for Australian income tax purposes that hold their SRG Shares on capital account.

(a) Capital Gains Tax (CGT) Event

Under the Scheme, Scheme Shareholders will dispose of their SRG Shares to GCS in exchange for the Scheme Consideration, comprising shares issued in GCS. The disposal of the SRG Shares to GCS under the Scheme will give rise to a CGT event for Scheme Shareholders. The time of the CGT event for the Scheme Shareholders should be the date the SRG Shares are disposed of, which will occur on the Implementation Date.

In the absence of CGT roll-over relief, the following tax consequences are expected to arise for the Scheme Shareholders that acquired (or are deemed to have acquired) their SRG Shares on or after 20 September 1985:

- A capital gain will be realised to the extent the capital proceeds received by the Scheme Shareholders from the disposal of their SRG Shares exceed the cost base of those shares; or
- A capital loss will be realised to the extent that capital proceeds received by the SRG Shareholders from the disposal of their SRG Shares are less than the reduced cost base of those shares.

Capital losses can be offset against capital gains derived in the same income year or in later income years. Specific loss recoupment rules apply to companies to limit their availability in future years in certain circumstances. Scheme Shareholders should seek their own tax advice in relation to the operation of these rules.

(b) Capital proceeds

The capital proceeds on the disposal of the SRG Shares should be equal to the Scheme Consideration received by the Scheme Shareholders.

The capital proceeds will be equal to the market value of the New GCS Shares received by the Scheme Shareholders at the Implementation Date. SRG will determine the relevant market value of the New GCS shares to the Scheme Shareholders following the completion of the Scheme and publish this on the SRG and GCS investor websites.

(c) Cost base and reduced cost base of a SRG Share

The cost base of a SRG Share will generally be equal to the cost of acquiring the SRG Share, plus any incidental costs of acquisition and disposal (such as brokerage fees and legal costs). The reduced cost base of a SRG Share is determined in a manner similar to the cost base although some differences in the calculation of reduced cost base do exist depending on the Scheme Shareholder's individual circumstances. The cost base and reduced cost base of each SRG Share will depend on the individual circumstances of each Scheme Shareholder.

(d) Indexation

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Certain Scheme Shareholders who acquired their SRG Shares at or before 11:45am on 21 September 1999 can choose to increase the cost base of their SRG shares for indexation based on the “consumer price index” movement from the date of acquisition to 30 September 1999. Only individuals, complying superannuation funds, trusts and listed investment companies can choose to apply indexation. Other types of taxpayers do not qualify.

Scheme Shareholders who choose to apply indexation forego the opportunity to apply the CGT discount (discussed below at (e)). In addition, indexation is not included in determining the reduced cost base. This means that indexation cannot increase the amount of a capital loss.

(e) CGT Discount

The CGT Discount may apply to Scheme Shareholders that are individuals, complying superannuation funds or trusts, who have held, or are taken to have held, their SRG Shares for at least 12 months (not including the date of acquisition or the date of disposal) at the time of the disposal of their SRG Shares.

The CGT Discount is:

- One-half if the Scheme Shareholder is an individual or trustee: meaning only 50% of the capital gain (without any allowance for indexation) will be included in assessable income; and
- One-third if the Scheme Shareholder is a trustee of a complying superannuation entity: meaning only two-thirds of the capital gain (without any allowance for indexation) will be included in assessable income.

The CGT Discount is not available to Scheme Shareholders that are companies, or Scheme Shareholders who choose for indexation to apply (described above).

If a Scheme Shareholder makes a discount capital gain, any carried forward capital losses will be applied to reduce the undiscounted capital gain before either the one-half or one-third discount is applied. The resulting amount is then included in the Scheme Shareholder’s net capital gain for the income year and included in assessable income..

The CGT Discount rules relating to trusts are complex. Accordingly, we recommend trustees seek their own independent advice on how the CGT Discount applies them and the trust’s beneficiaries.

(f) Scrip-for-scrip roll-over relief

Scheme Shareholders who make a capital gain from the disposal of their SRG Shares may be eligible to choose CGT scrip-for-scrip roll-over relief (provided certain conditions are met). Broadly, CGT scrip-for-scrip roll-over relief enables Scheme Shareholders to disregard the capital gain they make from the disposal of their SRG Shares under the Scheme.

For roll-over relief to be available, GCS must become the owner of 80% or more of the shares in SRG, the Scheme Shareholder must make a capital gain upon disposal of their SRG Shares, and have acquired their SRG shares after 20 September 1985. If a capital loss arises, no scrip-for-scrip roll-over relief is available.

Scheme Shareholders do not need to inform the ATO, or document their choice to claim CGT scrip-for-scrip roll-over relief in any particular way, other than to complete their income tax return in a manner consistent with their choice.

(g) Consequences of choosing CGT scrip-for-scrip roll-over relief

If a Scheme Shareholder chooses to obtain CGT scrip-for-scrip roll-over relief, the capital gain arising on the disposal of their SRG Shares under the Scheme should be disregarded.

Further, the first element of the cost base for the New GCS Shares is determined by attributing to them, on a reasonable basis, the existing cost base of the SRG Shares exchanged under the Scheme. The first element of the reduced cost base is determined similarly.

Finally, for the purposes of determining future eligibility for the CGT Discount, the acquisition date of the GCS Shares is taken to be the date when the Scheme Shareholder originally acquired their SRG Shares.

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(h) Consequences if CGT scrip for scrip roll-over relief is not available or is not chosen

If a Scheme Shareholder does not qualify for CGT scrip-for-scrip roll-over relief, or the Scheme Shareholder chooses not to obtain CGT scrip-for-scrip roll-over relief, the general CGT treatment outlined above at paragraph 13.1(a) will apply.

If a Scheme Shareholder makes a capital loss from the disposal of their SRG Shares, this loss may be used to offset capital gains in the same or subsequent years of income (subject to satisfying certain conditions). The capital loss cannot be offset against ordinary income or carried back to offset net capital gains arising in earlier income years.

2. Foreign tax resident shareholders

This Section applies to Scheme Shareholders that are not residents of Australia for Australian income tax purposes (i.e. foreign tax residents) and hold their SRG Shares on capital account. It does not apply to Scheme Shareholders who have held their SRG Shares at any time in carrying on a business at or through a permanent establishment in Australia.

Foreign tax resident Scheme Shareholders who hold their SRG Shares on capital account should generally not be subject to the CGT rules in Australia on the disposal of their SRG Shares, provided their SRG Shares are not an “indirect Australian real property interest” as at the time of disposal.

Broadly, a Scheme Shareholder’s SRG Shares will not be an indirect Australian real property interest unless both the following conditions are satisfied:

- The foreign tax resident Scheme Shareholder and their associates (as defined for tax purposes) together hold 10% or more (by value) of the issued shares in SRG at the time of disposal, or held 10% or more of the issued shares for at least 12 months during the 24 months prior to disposal of their SRG Shares; and
- the aggregate market value of SRG’s assets which are taxable Australian property (being direct and indirect interests in real property, including land, leases of land and property affixed to land, situated in Australia) exceeds the aggregate market value of SRG’s assets which are not taxable Australian property.

SRG Management has determined that the aggregate market value of SRG’s assets, which are taxable Australian property, do not exceed the aggregate market value of SRG’s assets which are not taxable Australian property. Accordingly the above conditions should not be satisfied by any foreign tax resident Scheme Shareholder.

Foreign Resident CGT Withholding Rules

The foreign resident CGT withholding tax rules were enacted on 25 February 2016, with effect for transactions occurring from 1 July 2016. Effective from this date, unless an exemption applies, a buyer (in this case GCS) is required to withhold and pay to the Commissioner an amount equal to 12.5% of the capital proceeds paid for the acquisition of SRG Shares (i.e., 12.5% of the market value of the New GCS Shares issued to acquire the SRG Shares).

Whilst foreign resident CGT withholding tax rules aim to facilitate the collection of CGT from foreign resident sellers, it can be triggered even if the seller is, in fact, an Australian tax resident. However, this is only to the extent an Scheme Shareholder’s SRG shares are an indirect Australian real property interest.

As discussed above, SRG Management has determined that the aggregate market value of SRG’s assets which are taxable Australian property do not exceed the aggregate market value of SRG’s assets which are not taxable Australian property. On this basis, SRG will be advising GCS management and directors not to apply the 12.5% withholding as part of this transaction.

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3. GST implications for Scheme Shareholders

No GST will be payable by Scheme Shareholders on the acquisition by GCS of their SRG Shares under the Scheme, or on the receipt by Scheme Shareholders of New GCS Shares as Scheme Consideration. Scheme Shareholders who are registered for GST may not be entitled to input tax credits (or only entitled to reduced input tax credits) for any GST incurred on costs associated with the disposal of their Scheme Shares.

4. Stamp Duty implications for Scheme Shareholders

No stamp duty should be payable by the Scheme Shareholders on the acquisition by GCS of their SRG Shares under the Scheme or on the receipt by Scheme Shareholders of New GCS Shares as Scheme Consideration.

5. Liability

The liability of PricewaterhouseCoopers is limited to the inclusion of this tax commentary at Section 13 of the Scheme Booklet. PricewaterhouseCoopers, its partners and staff makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Scheme Booklet.

6. Disclaimer

To persons receiving this document in Australia:

The information contained in this document does not constitute "financial product advice" within the meaning of the Corporations Act. The PricewaterhouseCoopers partnership which is providing this advice is not licensed to provide financial product advice under the Corporations Act. To the extent that this document contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any recipient should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs and consider obtaining independent financial advice.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Rob Bentley', is written over a faint, circular watermark or seal.

Rob Bentley
Partner
PricewaterhouseCoopers

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14. ADDITIONAL INFORMATION

14.1 Scheme Implementation Deed

(a) Overview

On 11 June 2018 SRG and GCS entered into the Scheme Implementation Deed. The key terms of the Scheme Implementation Deed are summarised below.

A full copy of the Scheme Implementation Deed was released to ASX on 12 June 2018 and is available on ASX's website (www.asx.com.au) and SRG's website (www.srglimited.com.au).

(b) Conditions Precedent

Implementation of the Scheme is subject to Conditions Precedent, which must be satisfied or waived (as applicable).

For details of the Conditions Precedent, see section 7.7 of this Scheme Booklet.

(c) Conduct of business

SRG and GCS are required to continue to conduct their respective businesses in the ordinary course and make all reasonable efforts to preserve the value of their respective businesses. SRG must also ensure that no SRG Prescribed Occurrence or SRG Regulated Event occurs, and GCS must ensure that no GCS Prescribed Occurrence or GCS Regulated Event occurs.

(d) Exclusivity arrangements

The Scheme Implementation Deed contains certain customary exclusivity arrangements, which are reciprocal.

In summary, the exclusivity provisions consist of no shop, no talk, matching rights and notification provisions in relation to a Competing Proposal in favour of both SRG and GCS. These are explained in further detail below.

No shop

During the Exclusivity Period, both SRG and GCS must not solicit, invite, encourage or initiate any enquiry, expression of interest, offer, proposal, negotiations or discussions by or with a person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or communicate to any person an intention to do any of these things.

No talk

During the Exclusivity Period, both SRG and GCS must not:

- (1) participate in any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make, or which could reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or participate in any negotiations or discussions with respect to the same;
- (2) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Proposal;
- (3) disclose or otherwise provide or make available any non-public information about the business or affairs of the SRG Group or GCS Group (as applicable) to a third party (other than a Government Agency by right) in connection with, with a view to obtaining, or which would reasonably be expected to encourage or lead to the formulations, receipt or announcements of, an actual, proposed or potential Competing Proposal whether by that third party or another person; or
- (4) communicate to any person an intention to do anything referred to in the preceding paragraphs.

The no talk provisions do not apply to the making of normal presentations in the ordinary course of business or promoting the merits of the Scheme and are also subject to a fiduciary carve-out.

Notification of approaches

During the Exclusivity Period, both SRG and GCS must within 2 Business Days, notify the other party in writing if it becomes aware of any discussions, approach or proposal made in connection with a Competing Proposal or provision by that party of any non-public information concerning the business of that party to any third party (other than a Government Agency) in connection with a Competing Proposal.

Matching right

If either SRG or GCS (**Notifying Party**) determine that a Competing Proposal is a Superior Proposal then they are required to give the other party (**Matching Party**) details of that proposal as soon as practicable and in any event within 2 business days.

For a period of 5 business days following the giving of that notice, the Notifying Party is prohibited from entering into any arrangement to give effect to the Competing Proposal and must use best endeavours to ensure its board of directors do not publicly recommend the Competing Proposal, and the Matching Party may offer a counter proposal with a view to providing an equivalent or superior offer to the Competing Proposal.

If the Matching Party makes a counter proposal, then the board of directors of the Notifying Party will be required to carefully consider that proposal before entering into the Competing Proposal. If the board of directors of the Notifying Party determines that the counter proposal is no less favourable than the Competing Proposal, then the parties will be required to use their reasonable endeavours to document the counter proposal and the Notifying Party will be required to use its reasonable endeavours to ensure its Board of directors do not publicly recommend the Competing Proposal.

(e) Change in recommendation

SRG has agreed in the Scheme Implementation Deed to use best endeavours to procure that the members of the SRG Board (both collectively and individually) do not change, withdraw or modify their recommendation or intention to vote in favour of the Scheme unless a Superior Proposal is made or the Independent Expert provides a report to SRG that concludes that the Scheme is not in the best interests of Scheme Shareholders.

(f) Reimbursement Fee payable by SRG

SRG has agreed to pay GCS a fee of \$1.5 million if certain events occur, including where:

- (1) during the Exclusivity Period, a majority of the SRG Board withdraws, adversely revises or adversely qualifies their recommendation that SRG Shareholders vote in favour of the Scheme, unless the Independent Expert concludes in the Independent Expert's Report that the Scheme is not in the best interests of SRG Shareholders (except where that conclusion is due to a Competing Proposal), or SRG is entitled to terminate the Scheme Implementation Deed for material breach by GCS of the Scheme Implementation Deed or breach of a GCS Representation and Warranty;
- (2) during the Exclusivity Period, a majority of the SRG Board recommends that the SRG Shareholders vote in favour of a Competing Proposal or otherwise support such proposal;
- (3) a Competing Proposal in relation to SRG is announced during the Exclusivity Period and, within 12 months of such announcement, the third party who proposed that Competing Proposal or any of its associates completes a Competing Proposal to acquire control of or merge with SRG or any material Subsidiary, require SRG to abandon the Scheme, or acquires a Relevant Interest in more than 50% of the SRG Shares under a transaction that is or has become wholly unconditional; or
- (4) GCS has terminated the Scheme Implementation Deed as a result of certain material breaches of the Scheme Implementation Deed or breach of a SRG Representation and Warranty.

(g) Reimbursement Fee payable by GCS

GCS has agreed to pay SRG a fee of \$1.5 million if certain events occur, including where:

- (1) during the Exclusivity Period, a majority of the GCS Board recommends that GCS Shareholders vote in favour of a Competing Proposal of any kind that is announced or otherwise support such proposal;
- (2) during the Exclusivity Period, GCS enters into any arrangement to give effect to a Competing Proposal;
- (3) during the Exclusivity Period, a Superior Proposal in respect of GCS is announced and GCS wishes to terminate the Scheme Implementation Deed in accordance with its terms;
- (4) a Competing Proposal in relation to GCS is announced during the Exclusivity Period and, within 12 months of such announcement, the third party who proposed that Competing Proposal or any of its associates completes a Competing Proposal to acquire control of or merge with GCS or any material Subsidiary, require GCS to abandon the Scheme, or acquires a Relevant Interest in more than 50% of the GCS Shares under a transaction that is or has become wholly unconditional;
- (5) SRG has terminated the Scheme Implementation Deed as a result of certain material breaches of the Scheme Implementation Deed or breach of a GCS Representation and Warranty.

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(h) Representations and warranties

Each of SRG and GCS has given customary representations and warranties to the other party. A breach of such representations and warranties is capable of triggering an obligation to pay the reimbursement fee or of giving rise to a termination right. These representations and warranties are set out in clause 8 of the Scheme Implementation Deed.

(i) Termination rights

The Scheme Implementation Deed may be terminated in the following circumstances:

- (1) at any time before 8:00am on the Second Court Date, by either SRG or GCS for a material breach of the Scheme Implementation Deed or if a Condition Precedent becomes incapable of being satisfied;
- (2) by either SRG or GCS if a Condition Precedent becomes incapable of being satisfied (following consultation between the parties);
- (3) at any time before 8:00am on the Second Court Date, by either SRG or GCS where the Court or a Government Agency has restrained or refused to permit the Merger, and there is no realistic prospect of a successful appeal by the End Date;
- (4) by either SRG or GCS if the Effective Date for the Scheme has not occurred, or will not occur before the End Date;
- (5) by GCS at any time before 8:00am on the Second Court Date, if a majority of the SRG Board:
 - (A) does not recommend or no longer recommends the Scheme, or does not state that they intend to vote in favour of the Scheme;
 - (B) withdraws, adversely revises or adversely modifies their recommendation; or
 - (C) makes a public statement indicating that they no longer recommend or intend to support the Merger;
- (6) by GCS at any time before 8:00am on the Second Court Date, if a Superior Proposal in respect of GCS is announced and the GCS Board determines in good faith and acting reasonably, after receiving advice from its financial and legal advisers, that failure to terminate the Scheme Implementation Deed would or would be likely to constitute a breach of the fiduciary or statutory obligations of the directors of GCS;
- (7) by GCS at any time before 8:00am on the Second Court Date, for breach of an SRG Representation or Warranty where GCS has notified SRG of the breach and its intention to terminate and the relevant breach continues for 5 Business Days (or any shorter period ending at 5:00pm on the Business Day before the Second Court Date) where the breach is material in the context of the Scheme as a whole;
- (8) by SRG at any time before 8:00am on the Second Court Date, for breach of an GCS Representation or Warranty where SRG has notified GCS of the breach and its intention to terminate and the relevant breach continues for 5 Business Days (or any shorter period ending at 5:00pm on the Business Day before the Second Court Date) where the breach is material in the context of the Scheme as a whole;
- (9) by SRG at any time before 8:00am on the Second Court Date, if a majority of the SRG Board has withdrawn or modified its recommendation in relation to the Scheme as permitted under the Scheme Implementation Deed, and if applicable SRG has paid the SRG Reimbursement Fee;
- (10) by SRG at any time before 8:00am on the Second Court Date, if a Competing Proposal in respect of GCS is announced or made and is recommended, supported or endorsed by a majority of the GCS Board; or
- (11) SRG and GCS agree to terminate in writing.

14.2 Benefits and payments to GCS senior management

Subject to and after implementation of the Scheme, GCS (or the Merged Group, as it will be) will make certain payments and provide certain benefits to some members of GCS's senior management team. Details of these payments and benefits, and the recipients of them, are provided below.

(a) Enzo Gullotti

Mr Gullotti is currently the Managing Director of GCS, an office he has held since he founded GCS in 2003. GCS and SRG have agreed that SRG's Managing Director, David Macgeorge, will become the Managing Director of GCS (ie the Merged Group) following implementation of the Scheme, and Mr Gullotti will continue as an Executive Director of the Merged Group.

In connection with the changes to Mr Gullotti's employment that will result from the Scheme, GCS has determined to pay Mr Gullotti an aggregate amount of \$810,000, which will comprise:

- (1) a lump sum component, in connection with Mr Gullotti's retirement as Managing Director of GCS and in recognition of past services rendered to GCS by Mr Gullotti;
- (2) a retention component, in recognition of the value to the Merged Group and its stakeholders in ensuring the continued services of Mr Gullotti and minimising any disruption to the GCS elements of the Merged Group following implementation of the Scheme; and
- (3) a component provided as contractual consideration for Mr Gullotti agreeing to non-compete arrangements with the Merged Group in connection with his role as Executive Director of the Merged Group, to which Mr Gullotti will be bound for a period of three years following Mr Gullotti's eventual retirement from the role of Executive Director of the Merged Group, whenever that should ultimately occur.

In accordance with Mr Gullotti's contractual entitlements:

- (1) GCS will also pay to Mr Gullotti his annual leave and long service leave entitlements accrued up to the Effective Date (in the context of him ceasing to be Managing Director of GCS); and
- (2) Mr Gullotti will also be eligible to a short term incentive payment in respect of the 2018 financial year, determined in accordance with GCS's short term incentive framework and past practice.

In the context of the SID, SRG has agreed to GCS making these payments to Mr Gullotti.

(b) **Other GCS senior management**

As a result of the Scheme there may be changes to the employment arrangements of other members of GCS's senior management team, which may include or result in the retirement or termination of employment of such persons.

Accordingly, GCS intends, where applicable, to pay amounts to certain members of GCS's senior management team whose employment with GCS (or the Merged Group, as it will be after the Scheme is implemented) may cease. In aggregate, those amounts will not exceed \$450,000, but (to avoid any doubt) are separate to any payments that the Merged Group may be required to or otherwise determine to make in the future following its review of the employment requirements of the Merged Group as part of the integration process (see section 10.11(b) for more about this).

In the context of the SID, SRG has agreed to GCS making these payments.

14.3 Consents and disclaimers

The following parties have given, and have not withdrawn before the registration of this Scheme Booklet with ASIC, their written consent:

- (a) to be named in this Scheme Booklet in the form and context in which they are named; and
- (b) if applicable, to the inclusion of the information attributed to them in this Scheme Booklet in the form and context in which that information is included in this Scheme Booklet.

The following parties have not however caused or authorised the issue of this Scheme Booklet, and, other than any reference to their name, take no responsibility for any other part of this Scheme Booklet.

| Name | Role |
|--|--------------------------|
| Global Construction Services Limited | N/A |
| Lonergan Edwards & Associates Limited | Independent Expert |
| Herbert Smith Freehills | Legal adviser to SRG |
| Sternship Advisers | Financial adviser to SRG |
| PwC | Tax adviser to SRG |
| William Buck | Auditor of SRG |
| BDO Audit | Auditor of GCS |
| Computershare Investor Services Pty Limited ABN 40 078 279 277 | SRG Share Registry |

Lonergan Edwards & Associates Limited has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report contained in Annexure A of this Scheme Booklet.

PwC has given, and not withdrawn before the registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Tax Letter contained in section 13 of this Scheme Booklet.

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14.4 ASIC relief

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires the Scheme Booklet to set out whether, within the knowledge of the SRG Directors, the financial position of SRG has materially changed since the date of the last balance sheet laid before SRG Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2017.

ASIC has granted SRG relief from this requirement so that this Scheme Booklet only need set out whether, within the knowledge of the SRG Directors, the financial position of SRG has materially changed since 31 December 2017 (being the last date of the period to which the financial statements for the half year ended 31 December 2017 relate), on the condition that:

- (a) a copy of the financial report for SRG for the half year ended 31 December 2017 will be provided free of charge to SRG Limited shareholders who ask for the report and can also be accessed from ASX's website at www.asx.com.au and SRG's website at <http://www.srglimited.com.au/investor-relations/asx-announcements/2018.html>;
- (b) this Scheme Booklet sets out whether, within the knowledge of the SRG Directors, the financial position of SRG has materially changed since 31 December 2017, and if so, full particulars of any change;
- (c) SRG will disclose any material changes to its financial position after the date that this Scheme Booklet was registered with ASIC, but prior to the Scheme Booklet being approved by the Court in announcements to the ASX; and
- (d) this Scheme Booklet is substantially in the form given to ASIC on 20 July 2018.

14.5 No unacceptable circumstances

The SRG Directors believe that the Scheme does not involve any circumstances in relation to the affairs of any members of SRG that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

14.6 Foreign jurisdictions and selling restrictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. SRG disclaims all liabilities to such persons.

No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside of Australia.

(a) Scheme Shareholders in Permitted Foreign Jurisdictions

Based on the information available to SRG as at the date of this Scheme Booklet, SRG Shareholders whose addresses are shown in the SRG Share Register on the Scheme Record Date as being in the following jurisdictions will be entitled to have New GCS Shares issued to them pursuant to the Scheme subject to the conditions and qualifications, if any, set out below in respect of that jurisdiction:

- Australia and its external territories;
- New Zealand;
- Hong Kong, either (i) where the SRG Shareholder is a "professional investor" (as defined in the Securities and Futures Ordinance of Hong Kong) or (ii) where an SRG Shareholder is not a "professional investor", the number of such SRG Shareholders who are not "professional investors" does not exceed 50;
- Philippines, where the number of SRG Shareholders does not exceed 20; and
- any other person or jurisdiction in respect of which GCS (acting reasonably and in consultation with SRG) determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New GCS Shares when the Scheme becomes Effective.

New Zealand, Hong Kong and the Philippines (and in the case of Hong Kong and the Philippines, only in circumstances where the above conditions and qualifications are satisfied) are referred to as the **Permitted Foreign Jurisdictions**.

Nominees, custodians and other SRG Shareholders who hold SRG Shares on behalf of a beneficial owner resident outside Australia or any Permitted Foreign Jurisdiction may not forward this Scheme Booklet (or accompanying documents) to anyone outside these countries without the consent of SRG.

SRG Shareholders who reside outside Australia or any Permitted Foreign Jurisdiction will be considered Ineligible Foreign Shareholders unless GCS (acting reasonably and in consultation with SRG) determines otherwise and will not be issued New GCS Shares and rather will be issued cash in accordance with and to the extent contemplated by the sale procedure set out at section 7.15 of this Scheme Booklet.

(b) International Offer Restrictions**Hong Kong**

WARNING - The contents of this Scheme Booklet have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Scheme. If you are in any doubt about any of the contents of this Scheme Booklet, you should obtain independent professional advice.

This Scheme Booklet does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This Scheme Booklet also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Scheme Booklet in Hong Kong, other than to persons who are “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purposes of issue, this Scheme Booklet or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this Scheme Booklet may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this Scheme Booklet, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of SRG shareholders in connection with the Scheme, and no steps have been taken to register or seek authorisation for the issue of this Scheme Booklet in Hong Kong.

This Scheme Booklet is confidential to the person to whom it is addressed and no person to whom a copy of this Scheme Booklet is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Scheme Booklet to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with the consideration of the Scheme by the person to whom this Scheme Booklet is addressed.

New Zealand

This Scheme Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The offer of Shares under the Scheme is being made to existing shareholders of SRG in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Scheme Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

Philippines

THE SECURITIES BEING OFFERED OR SOLD HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE PURSUANT TO SECTION 10.1 THEREOF. ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

14.7 Directors' statement

The issue of this Scheme Booklet has been authorised by the SRG Board.

The SRG Board has given (and not withdrawn) its consent to lodgement of this Scheme Booklet with ASIC.

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14.8 Fees

In aggregate, if the Scheme is implemented SRG expects to pay approximately \$3 million (excluding GST) in transaction costs.

In addition, it is expected that approximately \$800,000 (excluding GST) in transaction costs will be incurred by GCS, which will result in total transaction costs of approximately \$3.8 million (excluding GST) being incurred by the Merged Group if the Scheme is implemented.

For clarity, this \$3.8 million figure is on account of financial advisory, legal, accounting, Independent Expert, tax and administration fees, Scheme Booklet design, printing and distribution, SRG Share Registry and other expenses associated with the Merger, but does not include the payments described in section 14.2 above.

In aggregate, SRG expects to pay approximately \$1.5 million (excluding GST) in transaction costs irrespective of whether the Scheme is implemented.

14.9 No other material information

Except as disclosed elsewhere in this Scheme Booklet, so far as the SRG Directors are aware, there is no other information that is:

- material to the making of a decision by a SRG Shareholder whether or not to vote in favour of the Scheme; and
- known to any SRG Director at the date of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to SRG Shareholders.

14.10 Supplementary disclosure

SRG will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Second Court Date:

- a material statement in this Scheme Booklet is or becomes false or misleading in a material respect;
- a material omission from this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, SRG may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to SRG Shareholders at their address shown on the SRG Share Register; or
- posting a statement on SRG's website at www.srglimited.com.au,

as SRG, in its absolute discretion, considers appropriate.

15. GLOSSARY AND INTERPRETATION

15.1 Glossary

In this Scheme Booklet, unless the context otherwise appears, the following terms have the meanings shown below:

| Term | Meaning |
|--------------------|--|
| ASIC | the Australian Securities and Investments Commission. |
| Associate | has the meaning set out in section 12 of the Corporations Act. |
| ASX | ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates. |
| BDO Audit | BDO Audit (WA) Pty Ltd ABN 79 112 284 787. |
| Business Day | a day that is not a Saturday, Sunday or a public holiday or bank holiday in Perth, Western Australia. |
| Competing Proposal | <p>(1) in respect of SRG, any proposal, agreement, arrangement or transaction, which, if entered into or completed, would:</p> <p>(a) result in a Third Party (either alone or together with any Associate):</p> <ul style="list-style-type: none"> i. directly or indirectly acquiring a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the SRG Shares or of the share capital of any material Subsidiary of SRG; ii. acquiring Control of SRG; iii. directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or substantially all of SRG's business or assets or the business or assets of the SRG Group; iv. otherwise directly or indirectly acquiring or merging with SRG; or <p>(b) require SRG to abandon, or otherwise fail to proceed with, the Merger, whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.</p> <p>(2) in respect of GCS, any proposal, agreement, arrangement or transaction, which if entered into or completed, would:</p> <p>(a) result in a Third Party (either alone or together with any Associate):</p> <ul style="list-style-type: none"> i. directly or indirectly acquiring a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the GCS Shares or of the share capital of any material Subsidiary of GCS; ii. acquiring Control of GCS; |

| Term | Meaning |
|--------------------------|---|
| Competing Proposal | <p>iii. directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or substantially all of GCS's business or assets or the business or assets of the GCS Group; or</p> <p>iv. otherwise directly or indirectly acquiring or merging with GCS; or</p> <p>(b) require GCS to abandon, or otherwise fail to proceed with, the Merger, whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.</p> <p>For the avoidance of doubt, each successive material modification or variation of any proposal, agreement, arrangement or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.</p> |
| Condition Precedent | each of the conditions set out in section 7.7. |
| Control | has the meaning given in section 50AA of the Corporations Act. |
| Corporations Act | the <i>Corporations Act 2001</i> (Cth), as modified or varied by ASIC. |
| Corporations Regulations | the <i>Corporations Regulations 2001</i> (Cth). |
| Court | the Federal Court (Western Australia registry) or such other court of competent jurisdiction under the Corporations Act agreed to in writing by GCS and SRG. |
| Deed Poll | a deed poll in the form of Annexure C under which GCS covenants in favour of the Scheme Shareholders to perform the obligations attributed to GCS under the Scheme. |
| Effective | when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme. |
| Effective Date | the date on which the Scheme becomes Effective. |
| End Date | 30 November 2018, or such other later date as agreed in writing by the parties. |
| Exclusivity Period | <p>the period from and including the date of the Scheme Implementation Deed to the earlier of:</p> <p>(1) the date of termination of the Scheme Implementation Deed;</p> <p>(2) the End Date; and</p> <p>(3) the Effective Date.</p> |
| Fairly Disclosed | a reference to 'Fairly Disclosed' means disclosed to a party or any of its Related Persons, to a sufficient extent, and in sufficient detail, so as to enable a reasonable person (or one of its Related Persons) experienced in transactions similar to the Merger and experienced in a business similar to any business conducted by SRG or GCS (as applicable), to identify the nature and scope of the relevant matter, event or circumstance (including, in each case, that the potential financial effect of the relevant matter, event or circumstance was reasonably ascertainable from the information disclosed). |
| Financial Adviser | any financial adviser retained by a party in relation to the Merger from time to time. |

| Term | Meaning |
|--------------------------|---|
| Financial Indebtedness | <p>any debt or other monetary liability (whether actual or contingent) in respect of monies borrowed or raised or any financial accommodation including under or in respect of any:</p> <ol style="list-style-type: none"> (1) drawing on any existing facility or other loan agreement; (2) bill, bond, debenture, note or similar instrument; (3) acceptance, endorsement or discounting arrangement; (4) guarantee or insurance bond (other than guarantees or insurance bonds issued in the ordinary course of business); (5) finance or capital lease; (6) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or (7) obligation to deliver goods or provide services paid for in advance by any financier. |
| Gallery Facades | Gallery Facades Australia Pty Ltd ABN 29 602 257 581. |
| Gallery Facades Group | the group of companies comprising Gallery Facades and its subsidiaries. |
| GCS | Global Construction Services Limited ABN 81 104 662 259. |
| GCS Disclosure Materials | <ol style="list-style-type: none"> (1) the documents and information contained in the data room made available by GCS to SRG and its Related Persons, the index of which is initialled by the parties for identification purposes; (2) all documents and information provided by GCS to the senior managers and executives of SRG via email in connection with the negotiations for the Merger; and (3) written responses from GCS and its Related Persons to requests for further information made by SRG and its Related Persons. |
| GCS Board | the board of directors of GCS and a GCS Board Member means any director of GCS comprising part of the GCS Board. |
| GCS Group | GCS and each of its Subsidiaries, and a reference to a GCS Group Member or a member of the GCS Group is to GCS or any of its Subsidiaries. |
| GCS Information | <p>information regarding the GCS Group, and the Merged Group, provided by GCS to SRG in writing for inclusion in the Scheme Booklet (excluding any information provided by SRG to GCS, or obtained by GCS from an announcement made by SRG to ASX or from a publicly available document lodged by it with ASIC, contained in, or used in the preparation of, the information regarding the Merged Group), including:</p> <ol style="list-style-type: none"> (1) any letter from GCS's Chairman; (2) information about GCS, other GCS Group Members, the businesses of the GCS Group, GCS's interests and dealings in SRG Shares, GCS's intentions for SRG and SRG's employees, and funding for the Scheme; and (3) any other information required under the Corporations Act, Corporations Regulations or RG 60 to enable the Scheme Booklet to be prepared that the parties agree is GCS Information and that is identified in this Scheme Booklet as such. <p>For the avoidance of doubt, the GCS Information excludes the SRG Information, the Joint Information, the Independent Expert's Report and the Tax Letter.</p> |

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| Term | Meaning |
|-----------------------------|--|
| GCS Material Adverse Change | <p>an event, change, condition, matter, circumstance or thing occurring before, on or after the date of the Scheme Implementation Deed (each a Specified Event) which, whether individually or when aggregated with all such events, changes, conditions, matters, circumstances or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:</p> <ol style="list-style-type: none"> (1) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the GCS Group taken as a whole; and (2) the effect of: <ul style="list-style-type: none"> • a diminution in the value of the consolidated net assets of the GCS Group, taken as a whole, by at least \$15.6 million against what it would reasonably have been expected to have been but for such Specified Event; or • a diminution in the consolidated earnings before interest and tax of the GCS Group, taken as a whole, by at least \$4 million in any financial year for the GCS Group against what they would reasonably have been expected to have been but for such Specified Event, <p>other than those events, changes, conditions, matters, circumstances or things:</p> <ol style="list-style-type: none"> (3) required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either; (4) that are Fairly Disclosed in the GCS Disclosure Materials; (5) agreed to in writing by SRG; (6) arising as a result of any generally applicable change in law or governmental policy; (7) arising from changes in economic or business conditions (including interest rates) that impact on GCS and its competitors in a similar manner; (8) that relates to prospective contracts which are not the subject of binding agreements as at the date of the Scheme Implementation Deed (including contracts that GCS has tendered for or contemplated tendering for prior to the date of the Scheme Implementation Deed, or that it tenders for or contemplates tendering for after the date of the Scheme Implementation Deed), including (without limitation) any failure by GCS to be granted preferred contractor status or awarded any such tenders or contracts, or to enter into a binding agreement in respect of any such tenders or contracts, or any delay in achieving any of these things or milestones; or (9) that GCS Fairly Disclosed in an announcement made by GCS to ASX, or a publicly available document lodged by it with ASIC, prior to the date of the Scheme Implementation Deed. |
| GCS Performance Right | a performance right to acquire a GCS Share issued by GCS under the GCS Performance Rights Plan. |
| GCS Performance Rights Plan | the GCS Performance Rights Plan that was first approved by GCS Shareholders at GCS's 2014 Annual General Meeting and reapproved at GCS's 2017 Annual General Meeting. |
| GCS Permitted Dividend | has the meaning given in section 9.11(b). |
| GCS Prescribed Occurrence | <p>other than as:</p> <ol style="list-style-type: none"> (1) required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either; (2) Fairly Disclosed in the GCS Disclosure Materials; (3) agreed to in writing by GCS; or (4) Fairly Disclosed by GCS in an announcement made by GCS to ASX, or a publicly available document lodged by it with ASIC, prior to the date of the Scheme Implementation Deed, |

| Term | Meaning |
|---------------------------|--|
| GCS Prescribed Occurrence | <p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> (1) GCS converting all or any of its shares into a larger or smaller number of shares; (2) a member of the GCS Group resolving to reduce its share capital in any way; (3) a member of the GCS Group: <ul style="list-style-type: none"> • entering into a buy-back agreement; or • resolving to approve the terms of a buy-back agreement under the Corporations Act; (4) a member of the GCS Group issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than: <ul style="list-style-type: none"> • to a directly or indirectly wholly-owned Subsidiary of GCS; • the issue of shares upon the exercise of GCS Performance Rights; or • pursuant to the grant of performance rights to employees of the GCS Group under GCS's Performance Rights Plan in a manner consistent with past practice; (5) a member of the GCS Group issuing or agreeing to issue securities convertible into shares; (6) a member of the GCS Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property; (7) a member of the GCS Group granting a Security Interest, or agreeing to grant a Security Interest, in the whole, or a substantial part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due; or (8) an Insolvency Event occurs in relation to a member of the GCS Group. |
| GCS Reimbursement Fee | \$1.5 million (exclusive of GST). |
| GCS Regulated Event | <p>other than as:</p> <ol style="list-style-type: none"> (1) required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either; (2) Fairly Disclosed in the GCS Disclosure Materials; (3) agreed to in writing by SRG; or (4) Fairly Disclosed by GCS in an announcement made by GCS to ASX, or a publicly available document lodged by it with ASIC, prior to the date of the Scheme Implementation Deed, <p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> (1) a GCS Group Member reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares; (2) a GCS Group Member acquiring or disposing of, or entering into or announcing any agreement for the acquisition or disposal of, any asset or business, or entering into any corporate transaction, which would or would reasonably be likely to involve a material change in: <ul style="list-style-type: none"> • the manner in which the GCS Group conducts its business; • the nature (including balance sheet classification), extent or value of the assets of the GCS Group; or • the nature (including balance sheet classification), extent or value of the liabilities of the GCS Group; (3) SRG becoming aware that the GCS Representation and Warranty in paragraph (j) of Schedule 3 of the Scheme Implementation Deed is materially inaccurate; |

| Term | Meaning |
|---------------------|--|
| GCS Regulated Event | <p>(4) other than the GCS Permitted Dividend on one occasion, GCS announcing, making, declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members (whether in cash or in specie);</p> <p>(5) a member of the GCS Group making any change to its constitution;</p> <p>(6) a member of the GCS Group commencing business activities not already carried out as at the date of the Scheme Implementation Deed, whether by way of acquisition or otherwise;</p> <p>(7) a member of the GCS Group entering into a contract or commitment restraining a member of the GCS Group from competing with any person or conducting activities in any market;</p> <p>(8) a member of the GCS Group:</p> <ul style="list-style-type: none"> • incurring any Financial Indebtedness other than Financial Indebtedness for the purchase of new assets; • (without limiting the foregoing) agreeing to incur capital expenditure of more than \$2 million (individually or in aggregate); • waiving any material third party default where the financial impact on the GCS Group will be in excess of \$500,000 individually or \$2 million in aggregate; or • accepting as a compromise of a matter less than the full compensation due to a member of the GCS Group where the financial impact of the compromise on the GCS Group is more than \$500,000 individually or \$2 million in aggregate; <p>(9) a member of the GCS Group entering into, or resolving to enter into, a transaction with any related party of GCS (other than a related party which is a member of the GCS Group), as defined in section 228 of the Corporations Act;</p> <p>(10) a member of the GCS Group entering into or materially altering, varying or amending any employment, consulting, severance or similar agreement or arrangement with one or more of its officers, directors, other executives or employees, or accelerating or otherwise materially increasing compensation or benefits for any of the above, in each case other than pursuant to:</p> <ul style="list-style-type: none"> • contractual arrangements in effect on the date of the Scheme Implementation Deed and which are contained in the GCS Disclosure Materials; or • GCS's policies and guidelines in effect on the date of the Scheme Implementation Deed and which are contained in the GCS Disclosure Materials, <p>provided that the aggregate of all increases in compensation or benefits is no greater than \$50,000;</p> <p>(11) a member of the GCS Group paying any of its officers, directors, other executives or employees a termination or retention payment, other than in accordance with contractual arrangements in effect on the date of the Scheme Implementation Deed and which are contained in the GCS Disclosure Materials;</p> <p>(12) a member of the GCS Group entering into any enterprise bargaining agreement other than in the ordinary course of business or pursuant to contractual arrangements in effect on the date of the Scheme Implementation Deed and which are contained in the GCS Disclosure Materials;</p> <p>(13) a member of the GCS Group entering into any employment, consulting, severance or similar agreement or arrangement other than in the ordinary course of business and on terms consistent with past and market practice;</p> <p>(14) a member of the GCS Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in accounting standards; or</p> <p>(15) a member of the GCS Group doing anything that would result in a change in the GCS Consolidated Tax Group.</p> |

| Term | Meaning |
|------------------------------------|--|
| GCS Representations and Warranties | the representations and warranties of GCS set out in Schedule 3 of the Scheme Implementation Deed. |
| GCS Share | a fully paid ordinary share in the capital of GCS. |
| GCS Shareholder | each person who is registered as the holder of a GCS Share in the SRG Share Register. |
| GCS Share Register | the register of members of GCS maintained in accordance with the Corporations Act. |
| Government Agency | any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian. |
| Implementation Date | the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing. |
| Independent Expert | the independent expert in respect of the Scheme appointed by SRG. |
| Independent Expert's Report | the report to be issued by the Independent Expert in connection with the Scheme, setting out the Independent Expert's opinion whether or not the Merger is in the best interest of SRG Shareholders and the reasons for holding that opinion. |
| Ineligible Foreign Shareholder | a Scheme Shareholder whose address shown in the SRG Share Register on the Scheme Record Date is a place outside of both Australia (and its external territories) and any Permitted Foreign Jurisdiction, unless GCS (acting reasonably and in consultation with SRG) determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New GCS Shares when the Scheme becomes Effective. |
| Insolvency Event | means, in relation to an entity: <ol style="list-style-type: none"> (1) the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity (other than where the order is set aside within 14 days); (2) a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official being appointed to the entity or in relation to the whole, or a substantial part, of its assets; (3) the entity executing a deed of company arrangement; (4) the entity ceases, or threatens to cease to, carry on substantially all the business conducted by it as at the date of the Scheme Implementation Deed; (5) the entity is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation) or is otherwise presumed to be insolvent under the Corporations Act unless the entity has, or has access to, committed financial support from its parent entity such that it is able to pay its debts; or (6) the entity being deregistered as a company or otherwise dissolved. |
| Joint Information | means: <ol style="list-style-type: none"> (1) the pro forma financial information relating to the Merged Group contained in this Scheme Booklet and the adjustments made to the relevant historical financial information to generate such pro forma financial information; and (2) the estimates of synergies arising from the Merger contained in this Scheme Booklet. |
| Last Practicable Date | 13 July 2018, being the trading day that is 7 days prior to the date of this Scheme Booklet. |
| Listing Rules | the official listing rules of ASX. |
| Merged Group | the combination of the SRG Group and the GCS Group, as comprised by GCS and its Subsidiaries following the implementation of the Scheme. |

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| Term | Meaning |
|--------------------------------|---|
| Merged Group Board | the board of directors of GCS (as the entity controlling the Merged Group) after implementation of the Scheme. |
| Merger | the proposed acquisition of the Scheme Shares by GCS through implementation of the Scheme in accordance with the terms of the Scheme Implementation Deed. |
| New GCS Share | a fully paid ordinary share in GCS to be issued to Scheme Shareholders under the Scheme. |
| Nominee | the nominee appointed by GCS to sell the New GCS Shares which Ineligible Foreign Shareholders would otherwise have been entitled to receive under the Scheme, as described in section 7.15. |
| Notice of Scheme Meeting | the notice of meeting relating to the Scheme Meeting attached as Annexure D. |
| NPAT | net profit after tax. |
| Permitted Foreign Jurisdiction | has the meaning given in section 14.6(a). |
| PPSA | the <i>Personal Property Securities Act 2009</i> (Cth). |
| PwC | PricewaterhouseCoopers. |
| Proxy Form | the proxy form for the Scheme Meeting to be held on 22 August 2018 which accompanies this Scheme Booklet. |
| Registered Address | in relation to a SRG Shareholder, the address shown in the SRG Share Register as at the Scheme Record Date. |
| Related Bodies Corporate | has the meaning set out in section 50 of the Corporations Act. |
| Related Person | <p>(1) in respect of a party or its Related Bodies Corporate, each director, officer, employee, adviser, agent or representative of that party or Related Body Corporate; and</p> <p>(2) in respect of a Financial Adviser, each director, officer, employee or contractor of that Financial Adviser.</p> |
| Relevant Interests | has the meaning given in sections 608 and 609 of the Corporations Act. |
| Requisite Majorities | <p>in relation to the Scheme Resolution, a resolution passed by:</p> <p>(1) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by SRG Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate SRG Shareholders, body corporate representative); and</p> <p>(2) a majority in number (more than 50%) of SRG Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate SRG Shareholders, body corporate representative).</p> <p>The Court has the discretion to waive the second of these two requirements if the Court considers it appropriate to do so.</p> |
| Scheme | the scheme of arrangement under Part 5.1 of the Corporations Act between SRG and the Scheme Shareholders, the form of which is attached as Annexure B, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by GCS and SRG. |
| Scheme Consideration | the consideration to be provided by GCS to each Scheme Shareholder for the transfer to GCS of each Scheme Share, being for each SRG Share held by a Scheme Shareholder as at the Scheme Record Date, 2,479 New GCS Shares. |
| Scheme Implementation Deed | the scheme implementation deed dated 11 June 2018 between GCS and SRG relating to the implementation of the Scheme. A full copy of the Scheme Implementation Deed was released to ASX by both SRG and GCS on 12 June 2018 and is available on ASX's website (www.asx.com.au), SRG's website (www.srglimited.com.au) and GCS's website (www.gcs.group). |

| Term | Meaning |
|-----------------------------|---|
| Scheme Meeting | the meeting of SRG Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following an adjournment or postponement of that meeting. |
| Scheme Record Date | 5:00pm (Perth time) on the fifth Business Day after the Effective Date. |
| Scheme Resolution | the resolution set out in the Notice of Scheme Meeting at Annexure D to agree to the terms of the Scheme. |
| Scheme Shares | all SRG Shares held by the Scheme Shareholders as at the Scheme Record Date. |
| Scheme Shareholder | a holder of SRG Shares recorded in the SRG Share Register as at the Scheme Record Date. |
| Second Court Date | the day of the Second Court Hearing. |
| Second Court Hearing | the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard. |
| Security Interest | has the meaning given in section 51A of the Corporations Act. |
| SRG | SRG Limited ABN 57 006 413 574. |
| SRG Board | the board of directors of SRG and a SRG Board Member means any director of SRG comprising part of the SRG Board. |
| SRG Director | the directors of SRG. |
| SRG Disclosure Materials | <ol style="list-style-type: none"> (1) the documents and information contained in the data room made available by SRG to GCS and its Related Persons, the index of which is initialled by the parties for identification purposes; (2) all documents and information provided by SRG to the senior management and executives of GCS via email in connection with the negotiations for the Merger; and (3) written responses from SRG and its Related Persons to requests for further information made by GCS and its Related Persons. |
| SRG Group | SRG and each of its Subsidiaries, and a reference to a SRG Group Member or a member of the SRG Group is to SRG or any of its Subsidiaries. |
| SRG Information | information regarding the SRG Group prepared by SRG for inclusion in the Scheme Booklet that explains the effect of the Scheme and sets out the information prescribed by the Corporations Act and the Corporations Regulations, and any other information that is material to the making of a decision by SRG Shareholders whether or not to vote in favour of the Scheme, being information that is within the knowledge of each of the SRG Board Members, which for the avoidance of doubt does not include the GCS Information, the Joint Information, the Independent Expert's Report or the Tax Letter. |
| SRG Material Adverse Change | <p>an event, change, condition, matter, circumstance or thing occurring before, on or after the date of the Scheme Implementation Deed (each a Specified Event) which, whether individually or when aggregated with all such events, changes, conditions, matters, circumstances or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:</p> <ol style="list-style-type: none"> (1) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the SRG Group taken as a whole; and |

| Term | Meaning |
|-----------------------------|---|
| SRG Material Adverse Change | <p>(2) the effect of:</p> <ul style="list-style-type: none"> • a diminution in the value of the consolidated net assets of the SRG Group, taken as a whole, by at least \$11.1 million against what it would reasonably have been expected to have been but for such Specified Event; or • a diminution in the consolidated earnings before interest and tax of the SRG Group, taken as a whole, by at least \$4 million in any financial year for the SRG Group against what they would reasonably have been expected to have been but for such Specified Event, <p>other than those events, changes, conditions, matters, circumstances or things:</p> <p>(3) required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either;</p> <p>(4) that are Fairly Disclosed in the SRG Disclosure Materials;</p> <p>(5) agreed to in writing by GCS;</p> <p>(6) arising as a result of any generally applicable change in law or governmental policy;</p> <p>(7) arising from changes in economic or business conditions (including interest rates) that impact on SRG and its competitors in a similar manner;</p> <p>(8) that relates to prospective contracts which are not the subject of binding agreements as at the date of this deed (including contracts that SRG has tendered for or contemplated tendering for prior to the date of this deed, or that it tenders for or contemplates tendering for after the date of this deed), including (without limitation) any failure by SRG to be granted preferred contractor status or awarded any such tenders or contracts, or to enter into a binding agreement in respect of any such tenders or contracts, or any delay in achieving any of these things or milestones; or</p> <p>(9) that SRG Fairly Disclosed in an announcement made by SRG to ASX, or a publicly available document lodged by it with ASIC, prior to the date of the Scheme Implementation Deed.</p> |
| SRG Options | <p>the options to subscribe for SRG Shares detailed below, as issued by SRG:</p> <ul style="list-style-type: none"> • 400,000 options granted on 19/11/14 exercisable at \$0.827 each; • 200,000 options granted on 30/05/16 exercisable at \$0.73 each; • 200,000 options granted on 22/11/17 exercisable at \$1.29 each; and • 165,000 options granted on 22/11/17 exercisable at \$1.40 each, <p>which collectively are capable of being converted into 965,000 SRG Shares.</p> |
| SRG Performance Rights | <p>the performance rights detailed below as issued by SRG under its incentive plans:</p> <ul style="list-style-type: none"> • 900,000 performance rights for the period ending 30 June 2018; • 1,050,000 performance rights for the period ending 30 June 2019; • 750,000 performance rights for the period ending 30 June 2020; • 550,000 performance rights for the period ending 30 June 2021; • 750,000 performance rights for the period ending 1 July 2019; and • 950,000 performance rights for the period ending 1 July 2021, <p>which collectively are capable of being converted into 4,950,000 SRG Shares.</p> |
| SRG Permitted Dividend | has the meaning given in section 8.7. |

| Term | Meaning |
|---------------------------|--|
| SRG Prescribed Occurrence | <p>other than as:</p> <ol style="list-style-type: none"> (1) required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either; (2) Fairly Disclosed in the SRG Disclosure Materials; (3) agreed to in writing by GCS; or (4) Fairly Disclosed by SRG in an announcement made by SRG to ASX, or a publicly available document lodged by it with ASIC, prior to the date of the Scheme Implementation Deed, <p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> (1) SRG converting all or any of its shares into a larger or smaller number of shares; (2) a member of the SRG Group resolving to reduce its share capital in any way; (3) a member of the SRG Group: <ul style="list-style-type: none"> • entering into a buy-back agreement; or • resolving to approve the terms of a buy-back agreement under the Corporations Act; (4) a member of the SRG Group issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than: <ul style="list-style-type: none"> • to a directly or indirectly wholly-owned Subsidiary of SRG; or • the issue of shares upon the exercise of SRG Options or vesting of SRG Performance Rights; (5) a member of the SRG Group issuing or agreeing to issue securities convertible into shares; (6) a member of the SRG Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property; (7) a member of the SRG Group granting a Security Interest, or agreeing to grant a Security Interest, in the whole, or a substantial part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due; or (8) an Insolvency Event occurs in relation to a member of the SRG Group. |
| SRG Regulated Event | <p>other than as:</p> <ol style="list-style-type: none"> (1) required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either; (2) Fairly Disclosed in the SRG Disclosure Materials; (3) agreed to in writing by GCS; or (4) Fairly Disclosed by SRG in an announcement made by SRG to ASX, or a publicly available document lodged by it with ASIC, prior to the date of the Scheme Implementation Deed, <p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> (1) a SRG Group Member reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares; (2) a SRG Group Member acquiring or disposing of, or entering into or announcing any agreement for the acquisition or disposal of, any asset or business, or entering into any corporate transaction, which would or would reasonably be likely to involve a material change in: <ul style="list-style-type: none"> • the manner in which the SRG Group conducts its business; • the nature (including balance sheet classification), extent or value of the assets of the SRG Group; or • the nature (including balance sheet classification), extent or value of the liabilities of the SRG Group; |

| Term | Meaning |
|---------------------|---|
| SRG Regulated Event | <p>(3) GCS becoming aware that the SRG Representation and Warranty in paragraph (j) of Schedule 4 of the Scheme Implementation Deed is materially inaccurate;</p> <p>(4) other than the SRG Permitted Dividend on one occasion, SRG announcing, making, declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members (whether in cash or in specie);</p> <p>(5) a member of the SRG Group making any change to its constitution;</p> <p>(6) a member of the SRG Group commencing business activities not already carried out as at the date of the Scheme Implementation Deed, whether by way of acquisition or otherwise;</p> <p>(7) a member of the SRG Group entering into a contract or commitment restraining a member of the SRG Group from competing with any person or conducting activities in any market;</p> <p>(8) a member of the SRG Group:</p> <ul style="list-style-type: none"> • incurring Financial Indebtedness other than Financial Indebtedness for the purchase of new assets; • (without limiting the foregoing) agreeing to incur capital expenditure of more than \$2 million (individually or in aggregate); • waiving any material third party default where the financial impact on the SRG Group will be in excess of \$500,000 individually or \$2 million in aggregate; or • accepting as a compromise of a matter less than the full compensation due to a member of the SRG Group where the financial impact of the compromise on the SRG Group is more than \$500,000 individually or \$2 million in aggregate; <p>(9) a member of the SRG Group entering into, or resolving to enter into, a transaction with any related party of SRG (other than a related party which is a member of the SRG Group), as defined in section 228 of the Corporations Act;</p> <p>(10) a member of the SRG Group entering into any employment, consulting, severance or similar agreement or arrangement other than in the ordinary course of business and on terms consistent with past and market practice;</p> <p>(11) a member of the SRG Group entering into or materially altering, varying or amending any employment, consulting, severance or similar agreement or arrangement with one or more of its officers, directors, other executives or employees, or accelerating or otherwise materially increasing compensation or benefits for any of the above, in each case other than pursuant to:</p> <ul style="list-style-type: none"> • contractual arrangements in effect on the date of the Scheme Implementation Deed and which are contained in the SRG Disclosure Materials; or • SRG's policies and guidelines in effect on the date of the Scheme Implementation Deed and which are contained in the SRG Disclosure Materials, <p>provided that the aggregate of all increases in compensation or benefits is no greater than \$50,000;</p> <p>(12) a member of the SRG Group paying any of its officers, directors, other executives or employees a termination or retention payment, other than in accordance with contractual arrangements in effect on the date of the Scheme Implementation Deed and which are contained in the SRG Disclosure Materials;</p> <p>(13) a member of the SRG Group entering into any enterprise bargaining agreement other than in the ordinary course of business or pursuant to contractual arrangements in effect on the date of the Scheme Implementation Deed and which are contained in the SRG Disclosure Materials;</p> |

| Term | Meaning |
|------------------------------------|---|
| SRG Regulated Event | <p>(14) a member of the SRG Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in accounting standards; or</p> <p>(15) a member of the SRG Group doing anything that would result in a change in the SRG Consolidated Tax Group.</p> |
| SRG Reimbursement Fee | \$1.5 million (exclusive of GST). |
| SRG Representations and Warranties | the representations and warranties of GCS set out in Schedule 4 of the Scheme Implementation Deed. |
| SRG Share | a fully paid ordinary share in the capital of SRG. |
| SRG Share Register | the register of members of SRG maintained in accordance with the Corporations Act. |
| SRG Share Registry | Computershare Investor Services Pty Ltd ABN 40 078 279 277. |
| SRG Shareholder | each person who is registered as the holder of a SRG Share in the SRG Share Register. |
| SRG Shareholder Information Line | the information line set up for the purpose of responding to enquires from SRG Shareholders in relation to the Scheme, being 1300 070 747 (within Australia) or +61 3 9415 4135 (outside Australia) on Monday to Friday between 9:00am and 5:00pm (Melbourne time). |
| Subsidiary | has the meaning given in Division 6 of part 1.2 of the Corporations Act. |
| Superior Proposal | <p>(1) in respect of SRG, a bona fide written Competing Proposal that SRG receives after the date of the Scheme Implementation Deed:</p> <p>(a) not resulting from a breach by SRG of any of its obligations under clause 12 of the Scheme Implementation Deed (it being understood that any actions by the Related Persons of SRG not permitted by clause 12 will be deemed to be a breach by SRG for the purposes of that clause); and</p> <p>(b) that the SRG Board, acting in good faith, and after taking advice from its external legal advisers and Financial Adviser, determines is (i) reasonably capable of being valued and completed within a reasonable timeframe and in accordance with its terms; and (ii) would, if so implemented, result in a more favourable outcome for SRG Shareholders (as a whole) than would result from the Merger (as amended or varied following application of the matching right set out in clause 12.4 of the Scheme Implementation Deed), in each case taking into account all terms and conditions and other aspects of the Competing Proposal (including any timing considerations, any conditions precedent, the identity of the proponent or other matters affecting the probability of the Competing Proposal being completed) and of the Merger.</p> <p>(2) in respect of GCS, a bona fide written Competing Proposal that SRG receives after the date of the Scheme Implementation Deed:</p> <p>(a) not resulting from a breach by GCS of any of its obligations under clause 12 of the Scheme Implementation Deed (it being understood that any actions by the Related Persons of GCS not permitted by clause 12 will be deemed to be a breach by GCS for the purposes of that clause); and</p> <p>(b) that the GCS Board, acting in good faith, and after taking advice from its external legal advisers and Financial Adviser, determines is (i) reasonably capable of being valued and completed within a reasonable timeframe and in accordance with its terms; and (ii) would, if so implemented, result in a more favourable outcome for GCS Shareholders (as a whole) than would result from the Merger (as amended or varied following application of the matching right set out in clause 12.4 of the Scheme Implementation Deed), in each case taking into account all terms and conditions and other aspects of the Competing Proposal (including any timing considerations, any conditions precedent, the identity of the proponent or other matters affecting the probability of the Competing Proposal being completed) and of the Merger.</p> |

| Term | Meaning |
|------------------|--|
| Tax Act | the Income <i>Tax Assessment Act 1997</i> (Cth). |
| Tax Letter | the tax letter issued by PwC in connection with the Scheme, as contained in section 13 of this Scheme Booklet. |
| TBS or TBS Group | TBS Group Ltd NZBN 9429039615817 (being a company SRG acquired in April 2018). |
| Third Party | a person other than GCS, its Related Bodies Corporate and its other Associates. |

15.2 Interpretation

In this Scheme Booklet, unless the context otherwise appears:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section or annexure is a reference to a section of and an annexure to this Scheme Booklet as relevant;
- (f) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (h) a reference to time is a reference to time in Perth, Australia;
- (i) a reference to writing includes facsimile transmissions; and
- (j) a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

ANNEXURE A

INDEPENDENT EXPERT'S REPORT

LONERGAN EDWARDS & ASSOCIATES LIMITED

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The Directors
SRG Limited
338 Barker Road
Subiaco WA 6008

17 July 2018

Subject: Merger with Global Construction Services Limited

Dear Directors

Introduction

- 1 On 12 June 2018, SRG Limited (SRG) and Global Construction Services Limited (GCS) announced that they had signed a Scheme Implementation Deed (SID) under which the two companies will merge via an all-scrip scheme of arrangement (the Scheme or the Merger).
- 2 If the Scheme is approved and implemented, SRG shareholders will receive 2.479 GCS shares for each SRG share held (the Merger Ratio)¹. Pursuant to the terms of the SID, SRG and GCS are permitted to pay the following final dividends in relation to the year ending 30 June 2018 (FY18), prior to the Effective Date (as defined in the SID) of the Scheme and independently of the Scheme:
 - (a) **SRG** – a fully franked dividend which, when aggregated with the SRG FY18 interim dividend of 2.0 cents per share, is not more than 60% of SRG's net profit after tax (NPAT) for FY18
 - (b) **GCS** – a fully franked final dividend for FY18 of up to 2.5 cents per share.
- 3 Prior to entering into the SID, on 4 June 2018 GCS also announced that it had acquired the remaining 49% of the ordinary shares in Gallery Facades Australia Pty Limited (Gallery Facades)². This acquisition increased GCS' interest in Gallery Facades to 100% of the ordinary Gallery Facades shares, and will result in the issue of up to 15.2 million new GCS shares, of which approximately 11.2 million GCS shares were issued on completion of the acquisition on 4 June 2018 and up to a further approximately 4.1 million shares may be issued on a deferred basis (with the final number of shares to be issued based on the EBITDA of the Gallery Facades business in FY19) (Earn-out Shares)³.

¹ Subject to rounding for fractional entitlements. SRG shareholders who are "Ineligible Foreign Shareholders" (as defined in the SID) will not be entitled to receive new GCS shares and will instead receive cash proceeds from the sale, by a nominee, of the GCS shares they would have otherwise received.

² Gallery Facades designs, supplies and installs high performance architectural facades to premium commercial and residential projects in Australia.

³ Whilst GCS now holds 100% of the ordinary shares in Gallery Facades, the vendors continue to hold preference shares in Gallery Facades as part of earn-out arrangements in connection with the acquisition of the initial 51% of



- 4 On completion of the Merger (and assuming all Earn-out Shares are issued), existing SRG shareholders and GCS shareholders will own approximately 48.8% and 51.2%, respectively, of the merged entity (Merged Group).

Purpose of report

- 5 There is no regulatory requirement for an independent expert's report (IER) to be prepared for SRG shareholders pursuant to the *Corporations Act 2001* (Cth) (Corporations Act) or the Australian Securities Exchange (ASX) Listing Rules. However, the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of SRG shareholders.
- 6 In addition, the Directors' recommendation of the Scheme is provided on the basis that there is no superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of SRG shareholders.
- 7 Accordingly, the Directors of SRG have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our opinion, the Scheme is in the best interests of SRG shareholders and the reasons for that opinion.
- 8 LEA is independent of SRG and GCS and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 9 In our opinion:
- (a) the Scheme is in the best interests of SRG shareholders, in the absence of a superior proposal; and
 - (b) the Merger terms are fair and reasonable to SRG shareholders.
- 10 We have formed this opinion for the reasons detailed below.

Basis of assessment

- 11 The Scheme is not structured as a change of control transaction and there is no intention for the Merger terms to deliver a control premium to SRG shareholders. Furthermore, ownership of the Merged Group will be shared between each group of shareholders (48.8% by SRG and 51.2% by GCS) as will operational control, with key executive and Board positions being sourced from both companies.
- 12 Accordingly, LEA has assessed the Scheme as a merger rather than a change of control transaction. In the circumstances, the key issues in respect of the Scheme from the perspective of the SRG shareholders are whether:
- (a) the SRG shareholders obtain a collective ownership interest in the Merged Group that is consistent with (or greater than) the relative value they contribute to the Merged Group

Gallery Facades. However, GCS now has a 100% economic ownership interest in the Gallery Facades business (as the preference shares exist solely in relation to the earn-out arrangements, and do not entitle the holders to any economic interest in the Gallery Facades business).



- (b) from a value perspective, SRG shareholders are likely to be better off if the Merger proceeds
- (c) the advantages of the Merger outweigh the disadvantages.

Relative value contribution

- 13 As stated above, in assessing a merger, a key consideration is whether the value contributed by each of the merger partners is consistent with the merger terms (i.e. whether the value contributed to the merged entity is consistent with the respective collective ownership interests each group of shareholders will hold in the merged entity). Consequently, when assessing mergers it is important that a consistent basis of valuation be used. That is, when assessing the relative value contribution both companies should be valued either with or without a premium for control. This reflects the fact that it is the relative value of each company which is relevant rather than each company's absolute value.
- 14 For the purpose of forming our view on this aspect of our overall assessment, we have primarily had regard to relative value contributions based upon our estimate of underlying value on a minority interest basis, as well as share market trading.
- 15 The contribution of value by SRG shareholders to the Merged Group relative to their aggregate interest in the Merged Group is summarised below:

| Relative value contribution to the Merged Group | | |
|---|----------|----------|
| | SRG % | GCS % |
| LEA assessed underlying value: | | |
| Low | 47.4 | 52.6 |
| High | 47.3 | 52.7 |
| Listed market prices: | | |
| 1 month VWAP ⁽¹⁾ to 8 June 2018 | 50.7 | 49.3 |
| 6 April 2018 ⁽²⁾ to 8 June 2018 | 50.1 | 49.9 |

Note:

- 1 Volume weighted average price (VWAP).
- 2 Being the first day of trading following the announcement of SRG's acquisition of the TBS Group.

- 16 On balance, the analysis indicates that the collective interest SRG shareholders will acquire in the Merged Group (of some 48.8%) is broadly consistent with the relative value to be contributed by SRG shareholders to the Merged Group. Accordingly, in our view, the terms of the Merger are fair to SRG shareholders.

Position before and after implementation of the Scheme

- 17 We have compared the position of SRG shareholders before and after implementation of the Scheme taking into account the value of operational cost savings and other synergies that are expected to be generated should the Scheme proceed. Our comparison has been undertaken on a like-with-like basis by comparing the value of a minority interest in SRG prior to the announcement of the Scheme with the value of the Scheme consideration (i.e. shares in the Merged Group which have also been assessed on a minority interest basis).

- 18 The following table summarises our analysis:

| Comparison of Scheme consideration and SRG share value | | | |
|--|-----------|-------------|-------------|
| | Paragraph | Low \$ | High \$ |
| Scheme consideration – minority interest basis ⁽¹⁾ | 281 | 1.80 | 2.05 |
| Value of SRG shares prior to Merger – minority interest basis ⁽¹⁾ | 225 | 1.67 | 1.87 |
| Extent to which the Scheme consideration exceeds (or is less than) the value of SRG ⁽¹⁾ | | 0.13 | 0.18 |
| Percentage change | | 7.8% | 9.6% |

Note:

- 1 Including the assumed final FY18 dividend to be paid to SRG shareholders of 4.0 cents per share.

- 19 Our assessed value of the Scheme consideration to be received by SRG shareholders exceeds our assessment of the underlying value of a minority interest in SRG shares. Accordingly, from a value perspective, SRG shareholders are likely to be better off if the Merger proceeds.
- 20 However, SRG shareholders should note that the listed market price of GCS shares is subject to daily fluctuation. The price at which GCS shares may be sold subsequent to the implementation of the Merger (i.e. shares in the Merged Group), may therefore be greater or less than our assessed value range. SRG shareholders should also note that any decision to hold GCS shares (i.e. Merged Group shares) beyond the short-term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold GCS shares (i.e. Merged Group shares) should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. SRG shareholders should therefore seek independent professional advice specific to their individual circumstances if required.

Advantages versus disadvantages

- 21 We summarise below the likely advantages and disadvantages for SRG shareholders if the Scheme proceeds:

Advantages

- the value of the Scheme consideration to be received by SRG shareholders exceeds our assessment of the underlying value of a minority interest in SRG shares (primarily due to the value of the operational cost savings that are expected to be generated should the Merger proceed). Accordingly, from a value perspective, SRG shareholders are likely to be better off if the Merger proceeds
- the collective interest that SRG shareholders will acquire in the Merged Group (of some 48.8%) is broadly consistent with the relative value to be contributed by SRG shareholders to the Merged Group. Accordingly, in our view, the terms of the Merger are fair to SRG shareholders
- SRG shareholders will acquire an interest in a much larger, more diversified business with enhanced earnings and related future prospects. The Merged Group will also have enhanced financial scale (relative to SRG on a standalone basis) which may lead to improved access to equity and debt markets and an improved ability to pursue further growth opportunities



Disadvantages

- (d) SRG shareholders should note that the initial market reaction to the announcement of the Merger has been negative (despite the indicated benefits of the Merger outlined by both companies)^{4 5}
- (e) some SRG shareholders may not want to acquire an economic interest in the GCS business. However, these SRG shareholders have an opportunity to sell their SRG shares prior to the implementation of the Scheme, or their GCS shares (i.e. Merged Group shares) after implementation of the Scheme.

Conclusion

- 22 Notwithstanding the initial negative market reaction to the announcement of the Merger, based on our fundamental analysis of the transaction, in our view, the advantages of the Merger outweigh the disadvantages as we consider that SRG shareholders are likely to be better off if the Merger proceeds. Accordingly, we consider the Scheme to be in the best interests of SRG shareholders, in the absence of a superior proposal.

General

- 23 In preparing this report we have considered the interests of SRG shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 24 The impact of approving the Scheme on the tax position of SRG shareholders depends on the individual circumstances of each investor. SRG shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 25 The ultimate decision whether to approve the Scheme should be based on each SRG shareholder's assessment of their own circumstances. If SRG shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.
- 26 For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that SRG shareholders read the remainder of our report.

Yours faithfully

Craig Edwards
Authorised Representative

Martin Holt
Authorised Representative

⁴ The combined market capitalisation of the two companies has fallen by approximately \$25 million (7.7%) since the announcement of the Merger up to 13 July 2018.

⁵ Whilst the share prices of the listed construction and mining services companies set out in paragraph 209 have also declined since the announcement of the Merger (the median reduction has been 4.86% and 4.17% respectively to 13 July 2018), the share price decline for SRG and GCS has been larger than for the other listed companies.

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I Key terms of the Scheme

Terms

- 27 On 12 June 2018, SRG Limited (SRG) and Global Construction Services Limited (GCS) announced that they had signed a Scheme Implementation Deed (SID) under which the two companies will merge via an all-scrip scheme of arrangement (the Scheme or the Merger).
- 28 If the Scheme is approved and implemented, SRG shareholders will receive 2.479 GCS shares for each SRG share held (the Merger Ratio)⁶. Pursuant to the terms of the SID, SRG and GCS are permitted to pay the following final dividends in relation to the year ending 30 June 2018 (FY18), prior to the Effective Date (as defined in the SID) of the Scheme:
- SRG** – a fully franked dividend which, when aggregated with the SRG FY18 interim dividend of 2.0 cents per share, is not more than 60% of SRG's NPAT for FY18
 - GCS** – a fully franked final dividend for FY18 of up to 2.5 cents per share.
- 29 Prior to entering into the SID, on 4 June 2018 GCS also announced that it had acquired the remaining 49% of the ordinary shares in Gallery Facades Australia Pty Limited (Gallery Facades)⁷. This acquisition increased GCS' interest in Gallery Facades to 100% of the ordinary Gallery Facades shares, and will result in the issue of up to 15.2 million new GCS shares, of which approximately 11.2 million GCS shares were issued on completion of the acquisition on 4 June 2018, and up to a further approximately 4.1 million shares may be issued on a deferred basis (with the final number of shares to be issued based on the EBITDA of Gallery Facades business in FY19) (Earn-out Shares)⁸.
- 30 On completion of the Merger (and assuming all Earn-out Shares are issued), existing SRG shareholders and GCS shareholders will own approximately 48.8% and 51.2% respectively of the merged entity (Merged Group).

Conditions

- 31 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the SID between SRG and GCS dated 11 June 2018:
- all required "Regulatory Approvals" (as defined in the SID) are obtained by 5.00pm on the business day before the Second Court Date
 - SRG shareholder approval by the requisite majorities at the Scheme meeting under the Corporations Act

⁶ Subject to rounding for fractional entitlements. SRG shareholders who are "Ineligible Foreign Shareholders" (as defined in the SID) will not be entitled to receive new GCS shares and will instead receive cash proceeds from the sale, by a nominee, of the GCS shares they would have otherwise received.

⁷ Gallery Facades designs, supplies and installs high performance architectural facades to premium commercial and residential projects in Australia.

⁸ Whilst GCS now holds 100% of the ordinary shares in Gallery Facades, the vendors continue to hold preference shares in Gallery Facades as part of earn-out arrangements in connection with the acquisition of the initial 51% of Gallery Facades. However, GCS now has a 100% economic ownership interest in the Gallery Facades business (as the preference shares exist solely in relation to the earn-out arrangements, and do not entitle the holders to any economic interest in the Gallery Facades business).



- (c) an independent expert issues a report which concludes that the Scheme is in the best interests of SRG shareholders
- (d) Court approval of the Scheme in accordance with s411(4)(b) of the Corporations Act is obtained
- (e) no temporary, preliminary or final order, injunction, decision or decree issued by any court of competent jurisdiction or other Government Agency, or other material legal restraint or prohibition, and no action or investigation is announced, commenced or threatened by any Government Agency⁹, which restrains, prohibits or impedes the transaction, or requires divestiture by GCS of SRG shares or any material assets of GCS or SRG, is in effect at 8.00am on the Second Court Date
- (f) no “SRG Prescribed Occurrence” (as defined in the SID) occurs in respect of SRG between the date of the SID and 8.00am on the Second Court Date
- (g) no “SRG Regulated Event” (as defined in the SID) occurs between the date of the SID and 8.00am on the Second Court Date
- (h) no “GCS Prescribed Occurrence” (as defined in the SID) occurs in respect of GCS between the date of the SID and 8.00am on the Second Court Date
- (i) no “GCS Regulated Event” (as defined in the SID) occurs between the date of the SID and 8.00am on the Second Court Date¹⁰
- (j) no “SRG Material Adverse Change” (as defined in the SID) with respect to SRG occurs between the date of the SID and 8.00am on the Second Court Date
- (k) no “GCS Material Adverse Change” (as defined in the SID) with respect to GCS occurs between the date of the SID and 8.00am on the Second Court Date
- (l) the “SRG Representations and Warranties” (as defined in the SID) are true and correct in all material respects as at 8.00am on the Second Court Date (except to the extent any such representation or warranty expressly relates to an earlier date)
- (m) the “GCS Representations and Warranties” (as defined in the SID) are true and correct in all material respects as at 8.00am on the Second Court Date (except to the extent any such representation or warranty expressly relates to an earlier date).

Exclusivity

- 32 In addition, during the “Exclusivity Period” (as defined in the SID), each of SRG and GCS has agreed that they will not:
- (a) solicit, invite, encourage or initiate any “Competing Proposal” (as defined in the SID)
 - (b) participate in any discussions or negotiations which may reasonably be expected to lead to a Competing Proposal
 - (c) negotiate, accept or enter into any agreement, arrangement or understanding in relation to a Competing Proposal

⁹ For example, the Australian Securities and Investments Commission (ASIC) or the Australian Competition and Consumer Commission (ACCC).

¹⁰ SRG shareholders should refer to the Scheme Booklet should they require further information on the above conditions.

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- (d) provide any non-public information to a third party with a view to obtaining, or which would reasonably be expected to encourage, or lead to receipt of a Competing Proposal
 - (e) communicate to any person an intention to do anything referred to in the preceding paragraphs.
- 33 The “no-talk” exclusivity obligations set out in paragraphs 32(b), (c) and (d) above are subject to a fiduciary carve-out in circumstances where in the opinion of the SRG Board or GCS Board (as applicable), formed in good faith after receiving advice from its external legal advisers, compliance with the no-talk obligations constitute or would be likely to constitute a breach of any of the fiduciary or statutory duties of the directors of SRG or GCS (as applicable), provided that the Competing Proposal was not directly or indirectly brought about or facilitated by a breach of the “no-shop” obligation summarised in 32(a) above.
- 34 In addition, during the Exclusivity Period, each of SRG and GCS must notify the other party in writing within two business days after it becomes aware of:
- (a) any approach, inquiry or proposal made to initiate any negotiations or discussions in relation to a Competing Proposal; or
 - (b) the provision of any non-public information to a third party about the business or affairs of SRG or GCS (as applicable) in connection with a Competing Proposal.
- 35 A notification described in paragraph 34 above must include the identity of the person making or proposing the Competing Proposal (subject to the person having consented to disclosure of their identity) as well as material terms and conditions of the made or proposed Competing Proposal.
- 36 If a party receives a Competing Proposal that is a “Superior Proposal” (as defined in the SID), it must notify the other party as soon as practicable (and in any event within two business days) as to all of the material terms (including the identity of the person making the Competing Proposal, subject to the person having consented to disclosure of their identity) of the Competing Proposal.
- 37 A party may not enter into or agree to enter into any legally binding agreement with a third party to give effect to a Superior Proposal or to publicly recommend a Superior Proposal unless that party has given the other party at least five business days to provide a matching or superior proposal.

Reimbursement Fee

- 38 A “Reimbursement Fee” of \$1.5 million (excluding goods and services tax (GST)) is payable either by SRG to GCS or by GCS to SRG in certain circumstances as specified in the SID. For example, a Reimbursement Fee is payable by SRG to GCS if a Competing Proposal is announced for SRG by a third party during the Exclusivity Period and within 12 months of that announcement, that third party or its associate acquires control of, or acquires or merges with, SRG or a material subsidiary of SRG, or acquires an interest in all or a substantial part of SRG’s business or assets.

**Resolution**

- 39 SRG shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the Notice of Meeting accompanying the Scheme Booklet.
- 40 If the resolution is passed by the requisite majorities and the relevant conditions precedent are satisfied or waived, SRG must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Scheme becomes effective, it will become binding on all SRG shareholders who hold SRG shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

II Scope of our report

Purpose

- 41 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Corporations Regulations) prescribes information to be sent to shareholders in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 42 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER that states whether the proposed scheme is in the best interests of shareholders and the reasons for that opinion.
- 43 GCS has no current shareholding in SRG and has no representation on the SRG Board. Accordingly, there is no regulatory requirement for SRG to obtain an IER, under either the Corporations Act or the ASX Listing Rules. However, the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of SRG shareholders.
- 44 In addition, the Directors' recommendation of the Scheme is provided on the basis that there is no superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of SRG shareholders.
- 45 Accordingly, the Directors of SRG have requested LEA prepare an IER stating whether, in our opinion, the Scheme is in the best interests of SRG shareholders and the reasons for that opinion.
- 46 This report has been prepared by LEA for the benefit of SRG shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to SRG shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is in the best interests of SRG shareholders.
- 47 The ultimate decision whether to approve the Scheme should be based on each SRG shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

RG 111

- 48 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC, including, in particular, ASIC Regulatory Guide 111 – *Content of expert reports* (RG 111) which outlines the approaches which should be used in IERs when opining on public company transactions (such as the Scheme).



- 49 Under RG 111, the fairness of a control transaction (such as a takeover offer) is required to be assessed by comparing the value of the consideration offered with the full underlying value of the target company assuming 100% ownership (inclusive of a control premium). Where the consideration comprises scrip in the offeror (i.e. bidder), the value of that consideration must be assessed on a minority interest (or portfolio) basis, reflecting the minority interest nature of the shares to be issued as consideration.

Mergers

- 50 However, having regard to the commercial considerations below, in our opinion, the Scheme should be evaluated as a merger rather than a change of control transaction. This is because:
- (a) the Scheme has not been structured as a change of control transaction and there is no intention for the merger terms to deliver a control premium to SRG shareholders (or GCS shareholders, for that matter)
 - (b) GCS shareholders will, in aggregate, own approximately 51.2% of the Merged Group and SRG shareholders will, in aggregate, own the remaining 48.8% (and share in the expected synergy benefits in these proportions)
 - (c) the consideration under the Scheme comprises scrip only
 - (d) no single shareholder will own more than 20% of the shares in the Merged Group
 - (e) the Board of the Merged Group will comprise four members from the current SRG Board and three members from the current GCS Board
 - (f) the key executive positions are being sourced from both companies¹¹.
- 51 Accordingly, LEA has assessed the Scheme as a merger.
- 52 In a merger, a key consideration is whether the value contributed by each of the merger partners is consistent with the merger terms (i.e. whether the value contributed to the merged entity is consistent with the respective collective ownership interests each group of shareholders will hold in the merged entity). Consequently, when assessing mergers it is important that a consistent basis of valuation be used. That is, when assessing the relative value contribution both companies should be valued either with or without a premium for control. This reflects the fact that it is the relative value of each company which is relevant rather than each company's absolute value.
- 53 This is consistent with RG 111, which states that where there is a "*merger of entities of equivalent value when control of the merged entity will be shared between the 'bidder' and 'target' ... the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'.*"

¹¹ The proposed Chairman of the Merged Group is currently the Chairman of GCS and the proposed Managing Director of the Merged Group is the current Managing Director of SRG. The proposed Deputy Chair of the Merged Group is the current Chairman of SRG, and the current Managing Director of GCS will be an executive director of the Merged Group.



Assessment criteria

- 54 In assessing the Scheme we have therefore considered:
- (a) the relative value of SRG and GCS shares in comparison with the merger terms. For this purpose we have primarily had regard to relative value contributions based upon share market trading as well as our estimate of underlying value on a minority interest basis
 - (b) a comparison of the position of SRG shareholders before and after implementation of the Scheme taking into account the value of operational cost savings and other synergies that are expected to be generated should the Scheme proceed. This comparison has been performed on a like-with-like basis by comparing the value of a minority interest in SRG prior to the announcement of the Scheme with the value of the Scheme consideration (i.e. shares in the Merged Group which have also been assessed on a minority interest basis)
 - (c) other advantages and disadvantages of the Scheme from the perspective of SRG shareholders, including (inter-alia):
 - (i) the impact of the Scheme on earnings per share (EPS)
 - (ii) the likely market price of SRG shares if the proposed Scheme is not approved
 - (iii) the potential for a market re-rating of the shares in the Merged Group
 - (iv) the impact of the Scheme on the control of SRG, including the proposed Board composition and key management positions of the Merged Group
 - (v) the likelihood of SRG's shareholders receiving a superior proposal prior to the Scheme meeting or in the short-term; and
 - (vi) other qualitative and strategic issues associated with the Scheme.

In the best interests

- 55 There is no legal definition of the expression "in the best interests". However, RG 111 states that a scheme may be "*in the best interests of the members of the company*" if there are sufficient reasons for securityholders to vote in favour of the scheme in the absence of a higher offer.
- 56 Consistent with the requirements of RG 111, we have concluded that the Scheme is in the best interests of SRG shareholders if the advantages of the Scheme outweigh the disadvantages from the perspective of SRG shareholders.

Limitations and reliance on information

- 57 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 58 Our report is also based upon financial and other information provided by SRG, GCS and their advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this



information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

- 59 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion as to whether the Scheme is in the best interests of SRG shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 60 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 61 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 62 We in no way guarantee the achievability of any budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 63 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in this report.

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III Profile of SRG

Overview

- 64 SRG is a diversified global company with specific expertise in complex engineering construction, particularly in the areas of post-tensioning and dam strengthening. It also provides asset management services, drill and blast and other related mining services, and manufactures and supplies a range of specialised engineering products. SRG serves clients in the infrastructure and resources sectors from its offices throughout Australia, as well as New Zealand, the Middle East and Hong Kong.

History

- 65 SRG was founded in Victoria, Australia in 1961 as BBR Australia Pty Ltd (BBR Australia). Its first project was to supply and install rock anchors for the Snowy Mountains Scheme. Following the successful delivery of a number of civil construction projects across Australia, BBR Australia entered the mining services sector in 1986 through the acquisition of Rock Engineering (Aust) Pty Limited (Rock Australia).
- 66 With a track record of project delivery covering 26 years, BBR Australia listed on the ASX on 9 April 1987 and changed its name to Structural Systems Limited. In November 2014 the company unified its Structural Systems and Rock Australia businesses under the “SRG” brand. Since listing on the ASX, SRG has continued to grow organically and more recently has broadened its capabilities through several strategic acquisitions:
- (a) on 8 November 2007, Structural Systems acquired Victorian-based Meridian Concrete Pty Ltd, a concrete supply and placement subcontractor, for \$10.0 million¹²
 - (b) on 31 July 2015, SRG acquired CCM Group Australia Pty Ltd (CCM) for \$2.4 million¹². CCM was a specialist contractor group that provided a broad range of remedial, maintenance and construction services including precision grouting, waterproofing, protective coating application, joint sealing and commercial building maintenance
 - (c) on 12 April 2018, SRG acquired New Zealand-based TBS Group for \$32.9 million¹³. TBS Group is a leading specialist industrial contractor that provides asset and infrastructure maintenance services, building maintenance services, remedial services, protective coatings, industrial access solutions (e.g. scaffolding) and refractory services, with a particular emphasis on metal structures such as transmission towers and wind farms. It is headquartered in Auckland, New Zealand and employs approximately 450 staff. The acquisition provides SRG with international geographic diversification and creates cross-selling opportunities in Australia and New Zealand.
- 67 SRG’s expansion activities to date have included the opening of an office in Hong Kong, the acquisition of New Zealand based TBS Group and the formation of a 50:50 joint venture (announced September 2017) with the United States of America (US) based heavy construction firm Traylor Bros. to target the dam strengthening market in North America.

¹² Excluding earn-out payments.

¹³ NZ\$2.5 million of the purchase price is deferred until September 2018.

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This footprint complements the existing international business in the Middle East where SRG has operated for over 20 years.

- 68 SRG’s international business has won a number of significant projects overseas, including the \$26.5 million project with Hyundai Engineering and Construction Co., Ltd. to provide post-tensioning works for the construction of eight new liquefied natural gas (LNG) tanks in Kuwait.

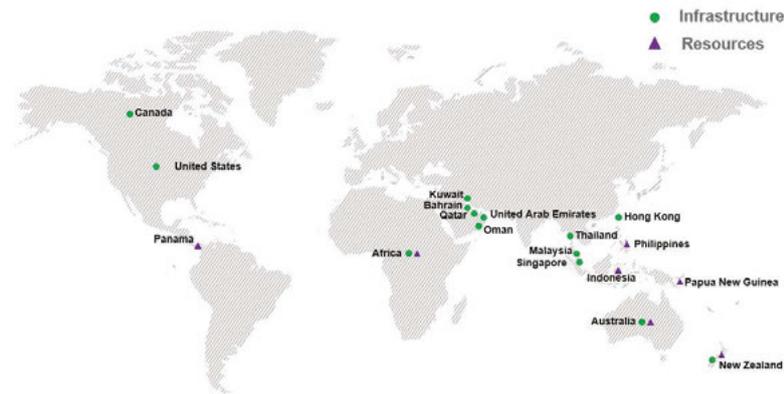
Current operations

- 69 SRG is headquartered in Perth, Australia and currently employs approximately 1,200 staff. SRG identifies itself as a complex services company, providing specialist contractor and mining services to clients in the infrastructure and resources sectors. It undertakes challenging projects that require various technical capabilities used in the construction of civil structures such as multi-storey and high rise buildings, stadiums, bridges and dams. An overview of the key services provided by SRG is set out below:

| SRG – services overview | | |
|----------------------------|-----------------------------|------------------------------|
| INFRASTRUCTURE | | RESOURCES |
| | | |
| CIVIL | BUILDING | PRODUCTS |
| Dam Strengthening | Post-Tensioning | Infrastructure Strengthening |
| Bridge Construction | Slab on Ground | Macalloy Bar |
| Tank and Silo Construction | Industrial Pavements | SureLok |
| Heavy Lifting | Multistorey Post-Tensioning | Monitoring |
| Load Handling | Slipform | Concrete Canvass |
| Slipform | Reinforcement | Rock Meshes |
| Stay Cables | Remedial | Ground Support Products |
| Geotech | | Geotechnical Equipment |
| Bridge Maintenance | | Ducting / Chairs |
| Ground Anchors | | Barrel and Wedges |
| | | Castings |
| | | MINING |
| | | Drill and Blast |
| | | Geotech |
| | | Monitoring |
| | | Engineering |
| | | Technical Access |
| | | Mine Infrastructure |
| | | Open Pit |
| | | Civil |
| | | Ground Support |
| | | Remedial |

- 70 As mentioned above, in recent years SRG has pursued an international growth strategy which has supported the company’s ability to undertake projects across the world. The following graphic shows examples of the many locations in which SRG has undertaken projects:

SRG – project locations



- 71 SRG's financial reporting structure is divided into two operating segments, being Construction and Mining. The Construction segment is further divided into four divisions representing distinct markets, the largest being the Civil division which accounted for 32% of SRG's revenues in the year to 30 June 2017 (FY17), followed by the Building (25%), Services (8%) and Products (5%) divisions. The balance of revenue (i.e. 30%) was generated by the Mining segment. A brief description of each segment and sub-division is provided below.

Construction segment

Civil division

- 72 The Civil division provides comprehensive services for all facets of construction and civil works. It is a specialist contractor and global leader in the design, engineering and installation of ground anchors used to strengthen major water reservoirs and dams. The division has an extensive history covering bridge construction and maintenance and holds construction capabilities for rail, pedestrian bridges, cryogenic tanks, water tanks and silos, as well as performing heavy lifting and load handling.
- 73 The Civil division has completed projects throughout Australia, New Zealand, South Africa and Sudan, including works on the Hazelmere dam in South Africa, the Canning and Wellington dams in Western Australia and the Seaford Rail Bridge in South Australia.

Building division

- 74 The Building division has significant expertise in delivering post-tensioning projects¹⁴. Post-tensioning is commonly applied to high rise buildings, arenas, dams, LNG tanks, wastewater treatment plants, towers and tunnels. Post-tensioning provides a range of benefits over traditional pre-tensioning building techniques including faster construction times, reduced

¹⁴ Post-tensioning is a specialised form of construction whereby concrete slabs are strengthened using tensioned steel strands.



construction costs and greater loading capacity to accommodate large open plan and column free floor spaces.

- 75 The Building division has worked with many of Australia's large construction companies, including Lendlease¹⁵, Probuild, Grocon and Multiplex. It has provided post-tensioning services in the construction of many iconic buildings including the Emirates Tower in Dubai, Canary Wharf in the United Kingdom and Sydney Tower in New South Wales (NSW).

Asset Services division

- 76 The Services division provides specialist engineering services for maintaining and extending the life of concrete buildings and structures. Services typically commence with a structure assessment and solution advice, which is followed up with prevention and/or restoration work such as waterproofing, cathodic protection, structural crack repair, façade restoration or architectural restoration. Clients of the Services division include asset owners, facilities managers, local authorities and resources companies.

Products division

- 77 SRG has a dedicated team that researches, designs and develops innovative products used in the mining and construction industries. These products are sourced from third parties in Australia and internationally. The division supplies a range of specialist products including geotechnical equipment, its proprietary SureLok system (which is used in temporary movement joints in post-tensioned concrete)¹⁶, the ROCK Mesha system (used for installing chain link mesh products), Macalloy bar systems, ducting, barrel and wedges and swage plates. The Products division sells to both external customers in the mining and construction industries as well as other SRG businesses.

Mining segment

- 78 The Mining segment provides drill and blast services to mining clients throughout Australia. It operates over 40 drill rigs and provides specialist drill and blast services including pre-split drilling, line drilling, dewatering, production blasting, final wall blasting, rock bolting and ground anchor drilling. The Mining segment also has expertise in ground support solutions covering wall and shaft support, rock fall protection, debris and erosion control, as well as monitoring of work sites using radar and other technologies. Ground support solutions are provided not only to the mining sector, but also increasingly to clients in the civil construction sector.
- 79 The Mining segment achieves a high level of asset utilisation by maintaining a fleet size proportional to the level of work in hand. Key contracts currently undertaken by the Mining segment include drill and blast services for Simec Mining's South Middleback Ranges and Iron Knob iron ore mine sites¹⁷ and for Evolution Mining's Mt Rawdon and Cowal gold mines.

¹⁵ SRG has been providing preferred building services support to Lendlease for over 18 years.

¹⁶ The SureLok system was launched in 2015.

¹⁷ The contract was awarded by BGC Contracting, the party responsible for undertaking mining operations at both of Simec Mining's mine sites.

Financial performance

80 The financial performance of SRG for the three years ended FY17 and the six months ended 31 December 2017 (1HY18), is set out below:

| SRG – statement of financial performance ⁽¹⁾ | | | | |
|---|----------------|--------------|--------------|----------------|
| | FY15 | FY16 | FY17 | 1HY18 |
| | Audited | Audited | Audited | Reviewed |
| | \$m | \$m | \$m | \$m |
| Rendering of services | 163.4 | 169.3 | 222.1 | 102.0 |
| Sale of goods | 7.3 | 7.1 | 5.4 | 2.6 |
| Total revenue | 170.7 | 176.4 | 227.5 | 104.7 |
| EBITDA⁽²⁾ before significant items | 13.9 | 13.6 | 11.4 | 6.4 |
| Depreciation ⁽³⁾ | (7.8) | (5.3) | (4.7) | (3.0) |
| EBIT before significant items | 6.1 | 8.3 | 6.7 | 3.4 |
| Net interest expense | - | 0.1 | (0.1) | (0.1) |
| Share of net profit of joint ventures | - | - | - | 0.4 |
| Significant items ⁽⁴⁾ | (3.5) | 0.9 | 5.0 | (0.6) |
| Profit before tax | 2.5 | 9.2 | 11.6 | 3.0 |
| Income tax expense | (0.9) | (3.0) | (3.7) | (0.6) |
| Net profit after tax | 1.6 | 6.2 | 7.8 | 2.4 |
| <i>Revenue growth</i> | <i>(23.0%)</i> | <i>3.4%</i> | <i>28.9%</i> | <i>(11.4%)</i> |
| <i>Underlying EBIT margin</i> | <i>3.6%</i> | <i>4.7%</i> | <i>3.0%</i> | <i>3.3%</i> |
| <i>Work in hand (at end of period)</i> | <i>154.0</i> | <i>240.0</i> | <i>338.0</i> | <i>307.0</i> |

Note:

- 1 Rounding differences exist.
- 2 EBITDA – earnings before interest, tax, depreciation and amortisation.
- 3 Depreciation is net of gains on the sale of plant and equipment.
- 4 Significant items include settlement of the Eastern Treatment Plant dispute (FY15), gains on contingent consideration (FY16, FY17 and 1HY18), gains on disposal of assets held for sale (FY17) and restructuring costs (1HY18).

81 In addition to the above, we set out the key financial measures by operating segment:

| SRG – segment performance ⁽¹⁾ | | | | |
|---|--------------|--------------|--------------|--------------|
| | FY15 | FY16 | FY17 | 1HY18 |
| | \$m | \$m | \$m | \$m |
| Construction | 104.4 | 119.9 | 158.9 | 67.1 |
| Mining | 66.3 | 56.5 | 68.6 | 37.6 |
| Total revenue | 170.7 | 176.4 | 227.5 | 104.7 |
| Construction | 5.7 | 4.0 | 4.2 | 2.6 |
| Mining | 5.3 | 5.8 | 8.0 | 3.9 |
| Unallocated corporate costs ⁽²⁾ | (5.0) | (1.4) | (5.6) | (3.3) |
| Profit before tax and significant items | 6.0 | 8.4 | 6.6 | 3.3 |
| Interest expense | 0.7 | 0.3 | 0.3 | 0.2 |
| Interest income | (0.7) | (0.4) | (0.2) | (0.1) |
| EBIT before significant items | 6.1 | 8.3 | 6.7 | 3.4 |
| <i>Construction work in hand (at end of period)</i> | <i>55.3</i> | <i>89.1</i> | <i>122.8</i> | <i>111.3</i> |
| <i>Mining work in hand (at end of period)</i> | <i>98.7</i> | <i>150.9</i> | <i>215.2</i> | <i>195.7</i> |

Note:

- 1 Rounding differences exist.
- 2 The low level of unallocated corporate costs in FY16 is due to the higher allocation of overheads to the business units in that year.

- 82 The key factors that have impacted the financial performance of SRG in FY16, FY17 and 1HY18 are summarised below:

Year to 30 June 2016 (FY16)

- total revenue increased by 3.4%, driven by growth in the Construction segment with the acquisition of CCM in July 2015. However, growth was constrained by a 14.7% decline in revenue for the Mining segment due to decreased mining and exploration activity
- EBIT before significant items increased by 36.6%, due to:
 - a record number of project completions achieved by the Building division
 - the high execution level of drill and blast services provided by the Mining segment
 - the commencement of sales of SureLok in Australia, with approximately 20,000 units sold during the period

Year to 30 June 2017 (FY17)

- revenue increased by 28.9%, primarily driven by an increase in bridge construction and dam strengthening activities undertaken by the Civil division, as well as contract wins and extensions secured by the Mining segment
- despite strong revenue growth, EBIT before significant items decreased by 19.1% as a result of:
 - set up costs of \$2.9 million in relation to the international expansion program (with returns expected from FY18 onwards)
 - the impact of poor weather which affected building conditions and lowered returns for the Building division
 - lower volumes of construction products delivered by the Products division due to poor weather and the impact of industrial relations disputes at certain customer's sites
- the decline in EBIT was partially offset by the margin improvement in the Mining segment, which was the result of increasing asset utilisation to over 90% during the period

Six months to 31 December 2017 (1HY18)

- group revenue declined by 11.4% in comparison to the previous corresponding period, representing a decline in Construction segment revenue of 21.3%, partially offset by Mining segment revenue growth of 14.4%. The reduction in Construction segment revenue was primarily due to a reduction in the number of large projects undertaken by the Civil division during the period. The Mining segment increased revenue significantly on the back of new project wins (most notably the \$26.5 million contract

for post-tensioning works on LNG storage tanks in Kuwait) and increasing levels of work undertaken

- despite the reduction in revenue, EBIT before significant items increased by 9.8% in comparison to the previous corresponding half year period, primarily due to:
 - strong operational and safety performance in the Mining segment
 - new project wins in the Building division
 - a continued focus on recurring revenue and new project wins at higher margins in the Services division
- EBIT growth during the period was also impacted by an investment of \$1.6 million in the international expansion program

Year ended 30 June 2018 (FY18) outlook

- on 27 February 2018 (at SRG's 1HY18 earnings release), SRG provided the following earnings guidance for FY18:
 - revenue of between \$250 million to \$280 million (inclusive of JV revenue)
 - EBITDA of between \$15 million and \$20 million
- the above forecasts excluded any contribution arising from the acquisition of TBS Group
- in the Scheme Booklet, SRG have stated that they expect to achieve EBITDA in FY18 of between \$18.0 million and \$20 million¹⁸. This includes a contribution from TBS Group (which was acquired on 12 April 2018) of around \$1.8 million to \$2.0 million
- both revenue and EBITDA are expected to be higher in the second half of FY18 due to (inter-alia) contract wins and the related increase in the value of work undertaken. EBITA margins are also expected to improve in the second half of FY18 due to prevailing higher margin work. As noted above, a greater proportion of work in hand has been sourced from the mining sector (which has consistently generated higher margins for SRG than the construction segment).

¹⁸ Excluding one-off costs such as redundancy costs and costs associated with the TBS acquisition and the GCS merger.

Financial position

- 83 We set out below both the actual and pro forma (including the impact of the TBS acquisition) financial position for SRG as at 31 December 2017:

| SRG – statement of financial position ⁽¹⁾ | | |
|---|-----------------------|------------------------|
| | 31 Dec 17 Reviewed | 31 Dec 17 Pro forma |
| | \$m | \$m |
| Debtors and prepayments | 51.2 | 58.6 |
| Restricted cash | - | 0.3 |
| Inventories | 10.0 | 15.4 |
| Creditors, accruals and provisions | (32.8) | (42.8) |
| Net working capital | 28.4 | 31.6 |
| Property, plant and equipment | 31.1 | 40.0 |
| Goodwill | 23.0 | 43.9 |
| Investments in associates | 0.4 | 0.4 |
| Deferred tax assets (net) | 1.9 | 1.9 |
| Provisions (non-current) | (0.8) | (0.8) |
| Total funds employed | 84.0 | 117.0 |
| Cash and cash equivalents | 15.1 | 21.2 |
| Interest bearing liabilities | (12.2) | (27.2) |
| Net cash / (borrowings) | 3.0 | (5.9) |
| Net assets attributable to SRG shareholders | 87.0 | 111.0 |
| Net tangible assets attributable to SRG shareholders | 64.0 | 67.2 |

Note:

- 1 Rounding differences exist.

Working capital

- 84 SRG's net working capital levels vary depending on (inter-alia) the stage of a project and the number of projects that are in progress at any point in time. As a result, working capital levels can fluctuate materially between reporting periods. Notwithstanding this, SRG generally maintains a positive working capital position.

Property, plant and equipment

- 85 The composition of SRG's property, plant and equipment is set out below:

| SRG – property, plant and equipment | | |
|--------------------------------------|-----------------------|------------------------|
| | 31 Dec 17 Reviewed | 31 Dec 17 Pro forma |
| | \$m | \$m |
| Plant, equipment and motor vehicles | 30.4 | 39.2 |
| Leasehold improvements | 0.2 | 0.3 |
| Freehold land | 0.5 | 0.5 |
| Property, plant and equipment | 31.1 | 40.0 |

- 86 As indicated above, the majority of SRG's physical assets are comprised of plant, equipment and motor vehicles which are deployed at various mine and construction sites. Land and buildings are carried at fair value less accumulated depreciation for buildings, whereas all other plant and equipment items are carried at historical cost less accumulated depreciation.

Goodwill

- 87 Goodwill is allocated to the Construction and Mining segments upon the acquisition of other businesses, and is tested annually for impairment using the value-in-use method. A pre-tax discount rate of 11.8% and 10.5% was applied to the Construction and Mining segments respectively for impairment testing as at 30 June 2017. The acquisition of TBS Group in April 2018 is expected to increase goodwill by \$20.9 million¹⁹, resulting in a pro forma goodwill balance of \$43.9 million as at 31 December 2017.

Net cash / (debt)

- 88 A summary of SRG's net cash / (debt) position is set out below:

| SRG – net cash / (debt) ⁽¹⁾ | 31 Dec 17 Reviewed \$m | 31 Dec 17 Pro forma \$m |
|--|------------------------------|-------------------------------|
| Cash and cash equivalents | 15.1 | 21.2 |
| Hire purchase liabilities (current) ⁽²⁾ | (5.0) | (5.0) |
| Hire purchase liabilities (non-current) ⁽²⁾ | (7.1) | (7.1) |
| Bank loan | - | (15.0) |
| Adjusted net cash / (debt) | 3.0 | (5.9) |

Note:

- 1 Rounding differences exist.
- 2 Used to finance the acquisition of plant and equipment.

- 89 SRG reported a positive net cash position as at 31 December 2017 of \$3.0 million. After allowance for the TBS acquisition and the associated equity and debt capital raised²⁰ the company showed a pro forma net debt position of \$5.9 million as at 31 December 2017.

Share capital and performance

- 90 As at 19 June 2018, SRG had 81.53 million fully paid ordinary shares on issue. This includes the issuance of 15.0 million shares during April to May 2018 in connection with the equity capital raising undertaken by SRG to partly fund the acquisition of TBS Group.
- 91 In addition, the company had 1.02 million unlisted options on issue (at exercise prices of \$0.73 to \$1.40 per share) and 4.95 million performance rights on issue. The performance rights were granted to certain key management personnel under SRG's long term incentive program and vest subject to the achievement of EPS benchmarks.

¹⁹ Excludes the impact of purchase price adjustments.

²⁰ TBS Group was acquired on a cash-free and debt-free basis and was funded by an equity capital raising (\$24 million in cash was raised from the issue of 15 million SRG shares at a price of \$1.60 per share), with the balance funded by drawing down \$15 million in bank debt under an existing loan facility with National Australia Bank.

Significant shareholders

- 92 As at 19 June 2018 the significant shareholders in SRG (i.e. shareholders with an interest in SRG of more than 5%) were as follows:

| SRG – substantial shareholders ⁽¹⁾ | | |
|---|-------------|------------|
| Shareholder | Shares held | |
| | Millions | % interest |
| IOOF Holdings Limited | 7.8 | 9.5 |
| Mr Peter McMorrow and Mrs Bernadine McMorrow | 4.6 | 5.6 |
| | 12.3 | 15.1 |

Note:

- 1 Rounding differences exist.

Share price performance

- 93 The following chart illustrates the movement in the share price of SRG in comparison to the S&P/ASX300 Index from 1 January 2015 to 8 June 2018²¹:



Note:

- 1 Based on closing prices. The S&P/ASX300 Index has been rebased to SRG's last traded price on 1 January 2015, being \$0.60.
 2 Being the last trading day prior to the announcement of the Scheme.

Source: Bloomberg.

- 94 SRG's share price has significantly outperformed the S&P/ASX300 Index over the period shown above. The relative outperformance began around the time SRG announced a market earnings upgrade to the ASX on 20 June 2016, which indicated that the company expected underlying net profit before tax growth of 33% to 50% for FY16.

²¹ Being the last trading day prior to the announcement of the Scheme.



- 95 In addition, we note that the company's prospects continue to improve, with SRG's work in hand of \$307 million as at 31 December 2017 being almost double the level of work in hand of \$154 million as at 30 June 2015.

Liquidity in SRG shares

- 96 The liquidity in SRG shares based on trading on the ASX over the 12 month period to 8 June 2018²² is set out below:

| SRG – liquidity in shares | | | | | | |
|---------------------------|------------|----------|----------------------------|--|--|----------------------------|
| Period | Start date | End date | No of shares traded 000 | WANOS ⁽¹⁾ outstanding 000 | Implied level of liquidity Period ⁽²⁾ % | Annual ⁽³⁾ % |
| 1 month | 9 May 18 | 8 Jun 18 | 4,556 | 81,534 | 5.6 | 67.0 |
| 3 months | 9 Mar 18 | 8 Jun 18 | 11,827 | 75,689 | 15.6 | 62.5 |
| 6 months | 9 Dec 17 | 8 Jun 18 | 17,518 | 70,773 | 24.8 | 49.5 |
| 1 year | 9 Jun 17 | 8 Jun 18 | 30,813 | 67,713 | 45.5 | 45.5 |

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

- 97 Share market trading in SRG shares has been relatively liquid in recent periods for a company of its size, as indicated by total share turnover (on an annualised basis) reaching approximately 67.0% and 62.5% of the issued shares outstanding over the one month and three months periods to 8 June 2018. Over the six months and one year periods liquidity levels reduce, but are maintained at a reasonable level for a company of its size.

²² Being the last trading day prior to the announcement of the Scheme.

IV Profile of GCS

Overview

- 98 GCS is an Australian construction and maintenance services group that offers a diverse range of integrated on-site products and services to all industries including the commercial, residential, resource, industrial and oil and gas sectors of the construction and maintenance industries. These activities include the provision of equipment and on site specialised labour services including scaffolding, formwork, material hoists, temporary site accommodation, temporary fencing, concrete pumping, concrete placement, related engineering and design services, façade and window installation, rope access and various other specialised site services.

History

- 99 GCS was established in 2003 in Perth, Western Australia (WA) following the acquisition of Security Scaffolding, a company with a circa 25 year history in the WA scaffold market. In the following four years GCS expanded its service offering with the acquisition of a number of complementary businesses engaged in the provision of formwork, scaffolding, chemical toilets, site lockers and hoists. It listed on the ASX in August 2007.
- 100 Since listing on the ASX, GCS has grown both organically as well as through a number of acquisitions which have expanded its geographical and operational diversity. A summary of these acquisitions (since 2011) is shown below:

| GCS – company acquisitions | | |
|----------------------------|---|--|
| Date ⁽¹⁾ | Acquisition ⁽²⁾ | Business overview |
| Apr 11 | Global Industrial Services (\$42.0 million) | A provider of specialised labour hire in WA, with growing operations in Northern Queensland (at the date of acquisition). The company was established in 2007 and employed approximately 400 staff |
| Aug 16 | 51% of Gallery Facades (\$8.2 million) ⁽³⁾ | Gallery Facades (formerly known as Podium Glazing) is an East Coast based supplier and installer of high performance architectural façades to premium commercial and residential projects in all capital cities in Australia |
| Apr 17 | Summit business and assets (\$17.3 million) | A provider of construction services in Victoria, specialising in formwork, concreting and reinforcement to commercial, residential and retail development projects |
| Jun 18 | 49% of Gallery Facades (\$11.0 million) ⁽⁴⁾ | At the date of acquisition of the remaining interest, Gallery Facades' revenue was expected to grow by over 20% in FY19 to more than \$100 million, with secured work in hand exceeding \$238 million |

Note:

- 1 Date of acquisition announcement.
- 2 Excludes the acquisition and subsequent sale of a 50% interest in SmartScaff, which was acquired by GCS in August 2011 and sold in October 2016.
- 3 51% of the ordinary Gallery Facades shares on issue. Consideration based on payment of a preference dividend linked to an earn out criteria. We have assumed that the maximum preference dividends will be paid as consideration.
- 4 49% of the ordinary Gallery Facades shares on issue. Based on expectations regarding the FY19 profitability of Gallery Facades, GCS management currently expect the Earn-out Shares to be paid in full. Accordingly, we have assumed that 100% of the Earn-out Shares will be paid as consideration.



- 101 These acquisitions have provided GCS with increased exposure to the east coast Australian commercial construction sector. In addition, we note that at the respective dates of acquisition:
- (a) the Global Industrial Services business had relatively low capital requirements (in contrast to the higher capital requirements of GCS at the time) and was exposed to a broad range of complementary sectors to the GCS business. It also provided GCS with access to a significantly expanded pool of labour in a relatively tight labour market
 - (b) the Gallery Facades business was capital constrained prior to GCS' involvement and the acquisition was linked to balance sheet support in the form of performance bond guarantees. This allowed the outstanding construction bank guarantees to be released, which freed up working capital and enabled the company to continue normal business operations
 - (c) the addition of Summit to the GCS business led to the establishment of the GCS Summit Contracting operating division.
- 102 GCS has also divested the following two businesses recently:
- (a) **SmartScaff²³** – GCS announced the sale of its 50% interest in the scaffolding hire and sales company SmartScaff for \$10.5 million on 14 October 2016
 - (b) **GCS Hire** – GCS sold its equipment hire division to Onsite Rental Group for \$28.3 million. The transaction was effective 2 November 2017.

Current operations

- 103 GCS is headquartered in Redcliffe, WA and employs approximately 930 staff (including subcontractors). The company predominately operates in WA, but in line with its strategy to geographically diversify has recently expanded its east coast Australian operations via acquisitions. GCS provides services to some of Australia's largest property development companies including Multiplex, Scentre Group, Lendlease, BGC and John Holland. The business currently reports three business segments, summarised as follows:

²³ The investment in SmartScaff was reported in GCS' financial statements using the equity method.

GCS – business segments



Note:

¹ Before deducting unallocated corporate costs.

- 104 Whilst GCS reports three business segments, it groups its operations into five divisions based on specific markets or sectors. These divisions offer the following key products and services:

GCS – divisions



- 105 The operating divisions primarily target a specific market sector, with the exception of GCS Integrated Services, which services all three segments covered by the group:

| GCS – divisions and segments | | | |
|------------------------------|------------|------------------------------------|-------------|
| | Commercial | Resource, Industrial, Oil & Gas | Residential |
| CASC | ✓ | - | - |
| Gallery Facades | ✓ | - | - |
| GCS Summit Contracting | ✓ | - | - |
| GCS Integrated Services | ✓ | - | ✓ |
| GCS Contracting | - | ✓ | - |

Commercial

- 106 The Commercial segment supplies integrated products and services to customers involved in the construction or maintenance of commercial and mixed use developments such as office towers, high rise apartments, shopping centres, hotels, car parks and hospitals. Revenues for the Commercial segment are expected to represent approximately 70% to 75% of total company revenue in FY18.
- 107 The acquisition of a 51% interest in the Gallery Facades business (announced in August 2016 and completed in October 2016) materially increased the size of the Commercial segment. The remaining 49% of the ordinary shares of Gallery Facades were acquired in June 2018.
- 108 Key contracts of the Commercial segment (including those undertaken by Gallery Facades) are shown below:

| GCS – key commercial contracts (greater than \$25.0 million) | | | |
|--|----------------|------------|--|
| Client | Contract value | | Description |
| | \$m | Location | |
| Probuild | 61.4 | WA | Supply and installation of formwork and concrete on the Ritz Carlton Hotel and The Towers project at Elizabeth Quay in Perth |
| Multiplex | 39.6 | Victoria | Gallery Facades awarded a contract for the supply and installation of multi-coloured, multi-faceted façades to the Swanston Central project in Melbourne |
| Brady Constructions | 38.0 | Victoria | Gallery Facades awarded a contract for the design, supply and installation of façades to the two tower hotel and apartment development at 380 Lonsdale Street, Melbourne |
| Scentre Group | 27.5 | WA | Supply and installation of formwork and concrete on the Westfield Carousel shopping centre redevelopment |
| Multiplex | 23.4 | Queensland | Gallery Facades awarded an additional façades installation contract on the 300 George Street, Brisbane Commercial Office Tower |
| Lendlease | 25.3 | Victoria | Gallery Facades awarded a contract for the design, supply and installation of façades to a 34 level commercial office tower at 130 Lonsdale Street, Melbourne |

Resource, Industrial, Oil & Gas

- 109 GCS supplies integrated products and services to customers involved in either construction or maintenance of projects for the oil & gas, energy, infrastructure, mining, power generation and water treatment sectors. This work can also cover commissioning, de-commissioning, shutdowns and minor civil work projects. The Resource, Industrial, Oil & Gas operating segment services a number of key clients in the north-west of Australia, including Woodside Energy's North West Shelf Project, CITIC Pacific Mining's Sino Iron Project and Fortescue Metals Group.

Residential

- 110 GCS supplies integrated products and services to customers involved in the construction or maintenance of single and low-rise residential developments throughout WA, such as houses, townhouses, units and apartments.
- 111 This business has been negatively impacted in recent years by soft conditions in the WA residential market, following peak activity levels in the year to 30 June 2015²⁴. GCS management anticipate residential building activity in WA to remain at subdued levels for the remainder of the 2018 calendar year and are continuing to monitor this segment in order to evaluate opportunities.

Financial performance

- 112 The financial performance of GCS for the three years to FY17 and 1HY18, is set out below:

| GCS – statement of financial performance ⁽¹⁾ | | | | |
|---|---------|---------|---------|----------|
| | FY15 | FY16 | FY17 | 1HY18 |
| | Audited | Audited | Audited | Reviewed |
| | \$m | \$m | \$m | \$m |
| Revenue | 150.5 | 184.5 | 207.7 | 112.6 |
| Other income | 0.3 | 0.4 | 0.4 | 0.2 |
| Operating expenses | (125.5) | (157.6) | (179.1) | (101.7) |
| EBITDA before significant items | 25.3 | 27.3 | 29.0 | 11.1 |
| Depreciation | (11.7) | (10.5) | (6.1) | (1.9) |
| EBITA⁽²⁾ before significant items | 13.7 | 16.8 | 22.9 | 9.2 |
| Amortisation of acquisition intangibles | - | - | (0.4) | (0.1) |
| EBIT before significant items | 13.7 | 16.8 | 22.5 | 9.1 |
| Net finance expense | (3.8) | (2.9) | (2.3) | - |
| Significant items ⁽²⁾ | - | (105.7) | (0.7) | (0.1) |
| Equity accounted profits | 1.7 | 2.3 | 0.4 | - |
| Profit / (loss) before tax before disc. operations | 11.6 | (89.5) | 19.9 | 9.0 |
| Income tax (expense) / benefit | (2.8) | 12.6 | (7.0) | (2.8) |
| Net profit / (loss) after tax before disc. operations | 8.7 | (76.9) | 12.9 | 6.2 |
| Profit / (loss) after tax from disc. operations ⁽³⁾ | - | - | - | 1.0 |
| Net profit / (loss) including disc. operations | 8.7 | (76.9) | 12.9 | 7.1 |
| Minority interests | - | - | (2.0) | (0.7) |
| Profit / (loss) after tax attributable to GCS shareholders | 8.7 | (76.9) | 10.9 | 6.4 |
| <i>Revenue growth</i> | (6.0%) | 22.6% | 12.5% | 21.7% |
| <i>Underlying EBITA margin</i> | 9.1% | 9.2% | 11.3% | 8.1% |
| <i>Work in hand (at end of period)</i> | 95.6 | 30.8 | 258.4 | 188.9 |

Note:

1 Rounding differences exist.

2 Significant items comprise:

| | | | | |
|---|---|---------|-------|-------|
| Impairment expense | - | (105.7) | - | - |
| Loss on disposal of equity accounted investment | - | - | (0.5) | - |
| Acquisition expenses | - | - | (0.2) | (0.1) |
| Total significant items | - | (105.7) | (0.7) | (0.1) |

3 FY15 to FY17 have not been adjusted for discontinued operations.

²⁴ Source: BIS Oxford Economics.

113 In addition to the above, we set out below the key financial measures by business segment:

| GCS – segment performance⁽¹⁾ | | | | |
|---|--------------|--------------|--------------|--------------|
| | FY15 | FY16 | FY17 | 1HY18 |
| | \$m | \$m | \$m | \$m |
| Commercial | 83.5 | 117.1 | 142.8 | 88.1 |
| Resource, Industrial, Oil & Gas | 42.5 | 47.9 | 50.9 | 18.3 |
| Residential | 24.5 | 19.6 | 14.0 | 6.2 |
| Total revenue | 150.5 | 184.5 | 207.7 | 112.6 |
| Commercial | 7.6 | 10.8 | 16.3 | 9.8 |
| Resource, Industrial, Oil & Gas | 6.0 | 9.3 | 12.3 | 2.4 |
| Residential | 5.5 | 4.5 | 1.5 | 0.5 |
| Unallocated corporate costs | (5.4) | (7.8) | (7.2) | (3.5) |
| EBITA before significant items | 13.7 | 16.8 | 22.9 | 9.2 |
| <i>Commercial EBITA margin⁽²⁾</i> | <i>9.1%</i> | <i>9.2%</i> | <i>11.4%</i> | <i>11.1%</i> |
| <i>Resource, Industrial, Oil & Gas EBITA margin⁽²⁾</i> | <i>14.0%</i> | <i>19.5%</i> | <i>24.3%</i> | <i>13.1%</i> |
| <i>Residential EBITA margin⁽²⁾</i> | <i>22.4%</i> | <i>22.8%</i> | <i>10.5%</i> | <i>7.8%</i> |

Note:

- 1 Rounding differences exist.
- 2 Prior to unallocated corporate costs.

114 The above results are not directly comparable on a year-to-year basis due to the impact of the following acquisitions and divestments:

- (a) **Gallery Facades** – GCS acquired a 51% interest in Gallery Facades on 7 October 2016. Further, on 4 June 2018 GCS announced that it had acquired the remaining 49% of the ordinary shares in Gallery Facades. It should also be noted that the EBITA shown above reflects 100% of the EBITA generated by the Gallery Facades business from 7 October 2016, as the 49% attributable to outside equity interests was shown below the EBITA line
- (b) **Summit** – GCS acquired 100% of the Summit business with effect from 11 May 2017
- (c) **GCS Hire business** – GCS divested its plant hire business effective 2 November 2017. This business was treated as a discontinued operation in 1HY18 and its financial performance is excluded from the above table for that period only.

115 The key factors that have impacted the financial performance of GCS in FY16, FY17 and 1HY18 are summarised below:

Year to 30 June 2016 (FY16)

- 116 Revenue increased by 22.6% (\$34.0 million) in FY16, primarily due to revenue growth of 40.3% in the Commercial segment (\$33.6 million), which was attributable to increasing work levels and strong industry momentum with corresponding improved equipment utilisation. Revenue for the Resource, Industrial, Oil & Gas segment increased by 12.7% (\$5.4 million) due to a combination of growth in operational and maintenance services, contract extensions and new contract wins. Revenue for the Residential segment decreased by \$4.9 million due to a reduction in construction activity in the WA housing market.



117 Underlying EBITA increased by 24.8% (\$3.3 million) compared to FY15. This largely reflected higher revenue and earnings contributions from the Commercial (an increase of \$3.2 million) and Resource, Industrial, Oil & Gas segments (an increase of \$3.3 million), offset by lower earnings from the Residential segment (\$1.0 million) due to difficult industry conditions and an increase in unallocated corporate costs (\$2.2 million)²⁵.

Year to 30 June 2017 (FY17)

118 Revenue for FY17 increased 12.5% (\$23.2 million), which reflected a combination of the following:

- (a) revenue for the Commercial segment increasing by 22.0%, however this includes revenue from the Gallery Facades and Summit acquisitions. Excluding acquisitions, revenue for the Commercial segment decreased by 20.9% due to changes in the timeline of projects in the CASC Formwork division
- (b) revenue increasing \$3.0 million in the Resource, Industrial, Oil & Gas segment due to the addition of new services, an optimised strategy and comparatively higher equipment utilisation rates
- (c) a decline in Residential segment revenue of \$5.6 million due to continued softness in the WA residential housing construction market.

119 Underlying EBITA increased by 37.4% (\$6.4 million) compared to FY16, which reflected a combination of the following:

- (a) contributions from the acquisitions of the Gallery Facades and Summit businesses (together EBITA of \$5.9 million for year ended 30 June 2017), with the existing Commercial business reporting a small reduction in earnings (EBITA down \$0.4 million)
- (b) higher EBITA from the Resource, Industrial, Oil & Gas segment (\$3.0 million) due to increased revenues (as discussed at paragraph 118(b))
- (c) a reduction in earnings from the Residential segment (\$3.0 million) which reflected lower revenue on a relatively fixed cost base
- (d) a decrease in unallocated corporate costs of \$0.9 million.

Six months to 31 December 2017 (1HY18)

120 Revenue increased by 21.7% in 1HY18 compared to 1HY17²⁶, with the company's Commercial operations (revenue up 36.9%) benefitting from full half year period contributions from the Gallery Facades and Summit businesses. This was partially offset by declines in revenue for the Resource, Industrial, Oil & Gas segment (negative 11.6%) due to contract completions and the Residential segment (negative 17.3%), due to continued soft conditions for the WA housing market.

²⁵ In previous years unallocated corporate costs were reduced by a contribution from equity accounted investments (which have now been sold). In FY16 the earnings contribution from equity accounted investments was \$2.3 million, which is broadly consistent with the increase in corporate costs for FY17.

²⁶ Excluding revenue from discontinued operations (i.e. the GCS Hire division).



- 121 Underlying EBITA decreased by \$3.8 million during the half year compared to 1HY17, which reflected the change in margin mix to a greater proportion of contract services (at comparatively lower margins), a highly competitive pricing environment and a very soft residential housing construction market in WA.

FY18 Outlook

- 122 On 2 May 2018, GCS announced the following in respect of its FY18 guidance:

“GCS advises that the full year result for FY18 is expected to deliver Net Profit After Tax (NPAT) inclusive of discontinued operations of between \$14.4 million and \$15.4 million.

On this basis, GCS expects to deliver NPAT attributable to shareholders of between \$12.4 million and \$13.4 million.

This result includes provision for an effective tax rate of 30%, which will not be paid due to historic tax losses arising on the sale of discontinued operations”.

- 123 Based on the actual results for the 11 months to 31 May 2018 and management’s latest forecast for June 2018 we note that GCS management have reiterated this forecast in the Scheme Booklet. This forecast implies underlying EBITA, which excludes GCS Hire, of between \$19.4 million and \$20.4 million, which is slightly above the annualised underlying EBITA achieved in 1HY18.

Financial position

- 124 The financial position of GCS as at 30 June 2017 and 31 December 2017 is set out below:

| GCS – statement of financial position ⁽¹⁾ | | |
|---|--------------|--------------|
| | 30 Jun 17 | 31 Dec 17 |
| | \$m | \$m |
| Debtors and prepayments | 42.1 | 36.2 |
| Inventories | 8.8 | 13.0 |
| Creditors, accruals and provisions | (28.6) | (39.1) |
| Net working capital | 22.3 | 10.2 |
| Property, plant and equipment | 116.4 | 93.3 |
| Intangible assets | 23.8 | 23.6 |
| Other receivables | 0.0 | - |
| Deferred tax assets (net) | (0.8) | (4.7) |
| Provisions (non-current) | (15.2) | (8.3) |
| Total funds employed | 146.6 | 114.1 |
| Cash and cash equivalents | 31.2 | 44.4 |
| Interest bearing liabilities | (27.4) | (2.4) |
| Net cash / (borrowings) | 3.8 | 42.0 |
| Net assets attributable to GCS shareholders | 150.3 | 156.1 |
| Non-controlling interest ⁽²⁾ | 1.5 | 0.8 |
| Net assets | 151.9 | 156.9 |
| Net tangible assets attributable to GCS shareholders | 126.5 | 132.5 |

Note:

- 1 Rounding differences exist.
- 2 Relates to 49% interest in Gallery Facades (which has since been acquired).

Working capital

- 125 Inventory recorded on the balance sheet primarily relates to construction work in progress, with the remainder associated with inventory on hand (such as timber, plywood etc.).
- 126 GCS' net working capital levels can vary depending on (inter-alia) the stage of a project and the number of projects that are in progress at any point in time. As a result, working capital levels can fluctuate materially between reporting periods. Notwithstanding this, GCS generally maintains a positive working capital position.

Tax losses

- 127 As at 30 June 2018, GCS had estimated income tax losses of \$22.6 million. These principally arose due to the sale of the GCS Hire business in November 2017.

Property, plant and equipment

- 128 Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment. The vast majority of GCS' property, plant and equipment relates to plant and rental equipment, as shown below:

| GCS – property, plant and equipment⁽¹⁾ | | |
|--|------------------|------------------|
| | 30 Jun 17 | 31 Dec 17 |
| | \$m | \$m |
| Land | 4.8 | 4.4 |
| Buildings and leasehold improvements | 1.8 | 1.5 |
| Office and computer equipment | 0.4 | 0.3 |
| Motor vehicles | 1.6 | 0.8 |
| Plant | 16.1 | 16.2 |
| Scaffolding and formwork | 63.7 | 63.9 |
| Rental equipment | 21.7 | - |
| Temporary site facilities | 3.2 | 3.1 |
| Hoists | 3.2 | 3.0 |
| Total | 116.4 | 93.3 |

Note:

- 1 Rounding differences exist.

- 129 The decrease in property, plant and equipment over the six months to 31 December 2017 predominantly relates to the disposal of the GCS Hire business in November 2017, the assets for which had a (previously impaired) net book value of \$24.4 million.

Intangible assets

130 Intangible assets primarily relates to goodwill, as set out in the table below:

| GCS – intangible assets | | |
|-------------------------|-----------|-----------|
| | 30 Jun 17 | 31 Dec 17 |
| | \$m | \$m |
| Goodwill | 23.5 | 23.5 |
| Customer contracts | 0.1 | 0.1 |
| Other intangibles | 0.2 | - |
| Total | 23.8 | 23.6 |

131 Goodwill is carried at cost less any impairment losses and is tested annually for impairment using the value in use method. As at 30 June 2017, a pre-tax discount rate of 15.2% was adopted for impairment testing purposes.

Net debt

132 A summary of GCS' net debt position is set out below:

| GCS – net debt | | |
|-----------------------------|-----------|-----------|
| | 30 Jun 17 | 31 Dec 17 |
| | \$m | \$m |
| Cash and cash equivalents | 31.2 | 44.4 |
| Unsecured borrowings | (2.5) | (0.7) |
| Hire purchase (current) | (6.9) | (0.9) |
| Hire purchase (non-current) | (18.0) | (0.8) |
| Net cash / (debt) | 3.8 | 42.0 |

133 The company's net cash balance increased significantly over the six months to 31 December 2017, which reflected both the sale of the GCS Hire plant and equipment in November 2017 for \$28.3 million and the cash generated by the company over this period. The proceeds of the sale were used to repay the outstanding debts associated with the equipment.

Share capital and performance

134 As at 19 June 2018, GCS had 222.18 million fully paid ordinary shares on issue. In addition, the company has a contractual obligation to issue up to an additional 4.1 million fully paid ordinary shares, subject to an earn out arrangement under the acquisition of the 49% interest in Gallery Facades which is based on the EBITDA of the Gallery Facades business in the 2019 financial year (Earn-out Shares) and 1.5 million performance rights issued to employees. With respect to the performance rights and performance based shares we note that:

- pursuant to the Scheme 1.35 million of the performance rights issued to employees will convert to shares on a one for one basis with no consideration payable (the remaining 0.15 million will be cancelled)
- based on expectations regarding the FY19 profitability of Gallery Facades, GCS management currently expect the Earn-Out Shares to be issued in full.



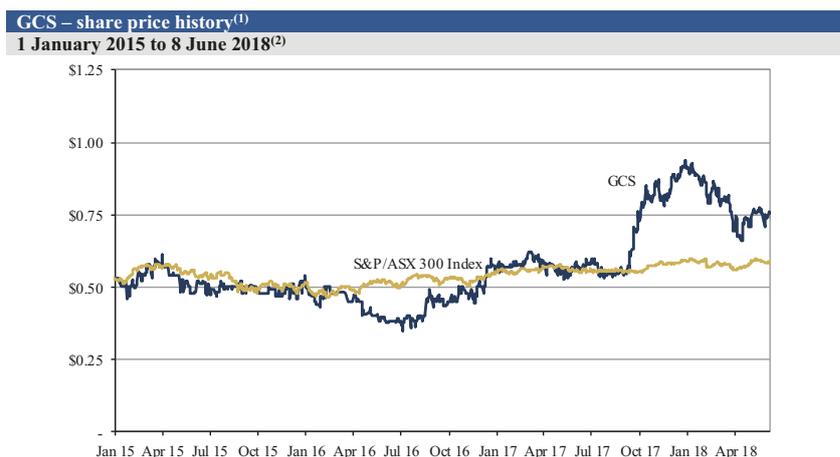
Significant shareholders

- 135 As at 19 June 2018, based upon substantial shareholder notices lodged with the ASX, the significant shareholders in GCS (i.e. shareholders with an interest in GCS of more than 5%) were as follows:

| GCS – substantial shareholders | | |
|--------------------------------|-------------|------------|
| Shareholder | Shares held | |
| | Millions | % interest |
| Lanyon Asset Management | 38.5 | 17.3 |
| Commonwealth Bank of Australia | 21.8 | 9.8 |
| | 60.3 | 27.1 |

Share price performance

- 136 The following chart illustrates the movement in the share price of GCS from 1 January 2015 to 8 June 2018²⁷:



Note:

- 1 Based on closing prices. The S&P/ASX300 Index has been rebased to the last traded price for GCS on 1 January 2015, being \$0.53.
 2 Being the last trading day prior to the announcement of the Scheme.

Source: Bloomberg.

- 137 Over the period from 1 January 2015 to 31 August 2017 the GCS share price broadly tracked the S&P/ASX300 Index. However, from September 2017 the GCS share price increased materially above the S&P/ASX300 Index. This share price appreciation broadly coincided with the announcement of the divestment of GCS Hire on 27 September 2017.

²⁷ Being the last trading day prior to the announcement of the Scheme.

Liquidity in GCS shares

138 The liquidity in GCS shares based on trading on the ASX over the 12 month period prior to 8 June 2018²⁸ is set out below:

| GCS – liquidity in shares | | | | | | |
|---------------------------|------------|----------|----------------------------|--|--|----------------------------|
| Period | Start date | End date | No of shares traded 000 | WANOS ⁽¹⁾ outstanding 000 | Implied level of liquidity Period ⁽²⁾ % | Annual ⁽³⁾ % |
| 1 month | 9 May 18 | 8 Jun 18 | 8,024 | 212,965 | 3.8 | 45.2 |
| 3 months | 9 Mar 18 | 8 Jun 18 | 20,677 | 211,733 | 9.8 | 39.1 |
| 6 months | 9 Dec 17 | 8 Jun 18 | 35,935 | 211,388 | 17.0 | 34.0 |
| 1 year | 9 Jun 17 | 8 Jun 18 | 111,668 | 211,047 | 52.9 | 52.9 |

Note:

- 1 WANOS during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

139 As indicated in the table above, the level of trading in GCS shares (as a percentage of the total number of shares on issue) has been relatively liquid for a company of its size.

²⁸ Being the last trading day prior to the announcement of the Scheme.



V Industry overview

Overview

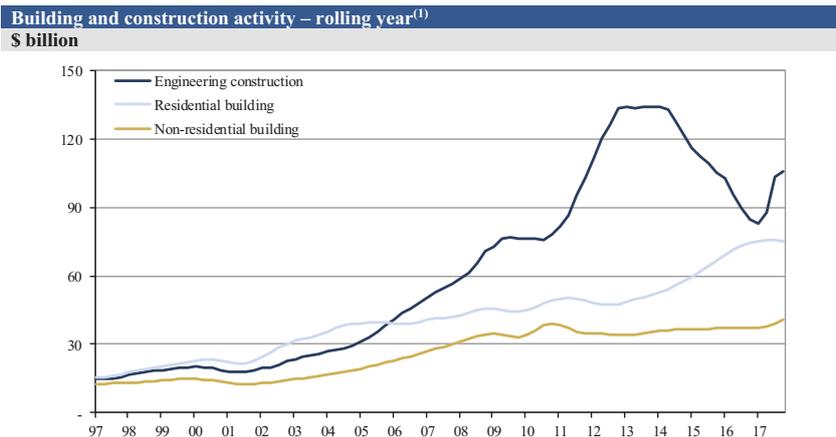
- 140 As discussed in Section III, SRG is a construction contractor with specific expertise in the complex fields of post-tensioning and dam strengthening for the building and civil construction industry sectors. In addition, SRG provides mining and infrastructure asset maintenance services and manufactures and supplies a range of specialised engineering products.
- 141 As set out in Section IV, GCS is a construction and maintenance services company that offers a diverse range of integrated on-site products and services, including formwork and concreting, curtain wall and architectural façade design and installation, scaffold and access solutions and specialised site services.
- 142 Whilst SRG's international segment represents some 30% of company revenues, GCS is solely focused on Australia. Further, the areas in which SRG operates overseas are varied. Accordingly, we have limited this section to the Australian building and construction, infrastructure maintenance services and mining services industries.

Building and construction

- 143 The value of turnover for the Australian building and construction industry was \$222 billion in the year to 31 December 2017, having grown at a compound annual growth rate (CAGR) of 5.6% over the last 10 years. The construction and building sector is one of Australia's largest industries and employs around 10% of Australia's workforce.
- 144 A split of the Australian building and construction industry into its three key segments is as follows:
- (a) **engineering construction** – represents approximately 48% of industry revenue²⁹ and involves major infrastructure, mining and heavy industrial resource-based project construction
 - (b) **residential building** – refers to the construction of new houses, units and multi-story apartments as well as housing alterations and additions to existing dwellings. Residential building represents approximately 34% of total industry revenue
 - (c) **non-residential building** – accounts for approximately 18% of industry revenue and relates to the construction of commercial buildings such as offices, shops and factories as well as institutions like schools and hospitals.

²⁹ Engineering construction accounted for approximately 60% of industry revenue during peak mining levels in 2012 and 2013 but following the decrease in mining investment over recent years this percentage has since declined.

- 145 The following chart sets out Australian building and construction revenue by segment over the 20 years to 31 December 2017:



Note:

¹ The rebound in engineering construction from June 2017 is primarily the result of the arrival of two large LNG modules (which are manufactured offshore and included in the numbers).

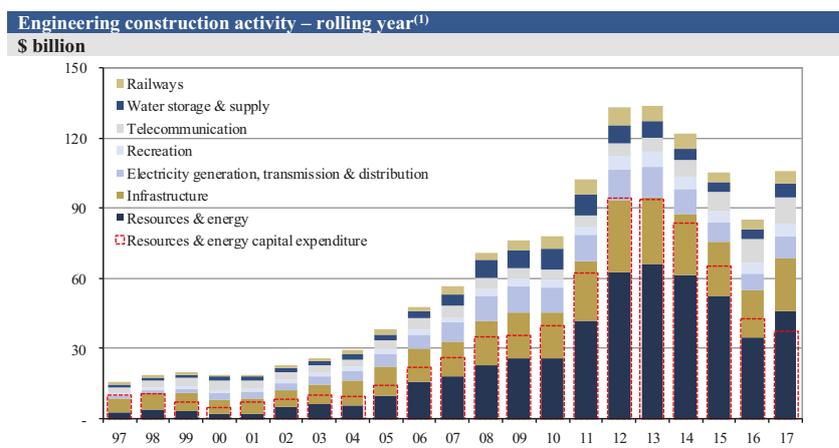
Source: Australian Bureau of Statistics (ABS).

- 146 The slowdown in private sector activity that followed the global financial crisis (GFC) in 2008, which was attributable to, inter-alia, limited availability of finance, resulted in a significant decline in commercial building activity. In response, the Federal government funded a stimulus package targeting the education and health sectors. This essentially brought forward later years' expenditure and more than offset the decline in commercial related activity, resulting in record non-residential building levels (at the time). This also partially explains why current non-residential building turnover levels have only just exceeded those levels reached around 2010.
- 147 The engineering construction sector recorded a period of significant growth up to the 2012 and 2013 years which was largely driven by growth in mining (primarily iron ore and coal), energy (most notably LNG) and related infrastructure projects to support the export of such commodities. Engineering construction levels peaked in March 2013 (which roughly coincided with peak mining levels) and have since declined as investment in mining construction has slowed³⁰.
- 148 The decline in engineering construction activity was largely offset by a substantial increase in residential building construction levels beginning in 2012, driven in part by a prolonged period of low mortgage rates which increased demand from both investors and new home buyers. The majority of this growth was focused on high rise multi-unit apartment construction (particularly in NSW, Victoria and Queensland).

³⁰ The rebound in expenditure from the September 2017 quarter was attributable to the importation of two significant liquid natural gas modules. Notwithstanding that this work was substantially undertaken overseas, the ABS includes this as new construction.

Engineering construction

149 The value of engineering construction activity peaked at \$134.3 billion in March 2013, having increased at a CAGR of 18.0% over the previous five years. As illustrated in the following chart, the resources and energy sectors have typically been the largest contributor to the value of engineering construction work:



Note:

¹ Resources and energy capital expenditure is lower than resources and energy expenditure due to the manufacture of two large LNG modules offshore which are included in resources and energy expenditure and excluded from the resources and energy capital expenditure.

Source: ABS.

- 150 The high level of engineering construction activity was a major factor in the resilience of the Australian economy throughout the GFC³¹. While engineering construction growth stalled post 2008 as projects were put on hold, activity continued at a level more than double that recorded four years earlier. As commodity prices recovered (post 2008) and the availability of financing returned, investments previously halted were approved for development and industry growth resumed. However, following the peak and subsequent fall in commodity prices in late 2012, the level of engineering and construction activity declined materially.
- 151 While mining and energy related construction has declined significantly from peak levels³², expenditure on non-resource related infrastructure has been increasing on an annualised basis since September 2016. This has been partly attributable to rising public expenditure on new infrastructure initiatives funded by the Federal and State governments. A significant proportion of the public infrastructure spend has been focused on the east coast of Australia, including the WestConnex and Sydney Metro projects in NSW, the Melbourne Metro Rail project in Victoria and the roll out of the National Broadband Network (NBN).

³¹ Due in part to the long lead times for project delivery and also the fact that some of the major mining companies continued to invest throughout this period.

³² As noted, the recent rebound in investment shown in 2017 is primarily attributable to the addition of large LNG modules delivered to Australia in the second half of the year.

- 152 Engineering construction levels (excluding LNG and oil expenditures) are expected to exceed \$70 billion per annum over the next five years according to BIS Oxford Economics³³. This is higher than any period outside of the mining boom and around double that of the pre-boom period. Over this five year period, the transport (railways and roads)³⁴, water supply and electricity sectors are expected to experience the largest relative increases in expenditure, while telecommunication related expenditure is expected to decline as work on the NBN winds down.

Residential building

- 153 Trends in the construction of residential dwellings are generally driven by house prices, population growth and levels of housing affordability. Of these, the direction of house prices tends to be the most significant driver, with rising house prices typically driving new dwelling investment. Growth in residential high density construction is also associated with growth in non-residential construction, as governments seek to provide such areas with urban infrastructure.
- 154 Over the five years to 31 December 2017, residential construction benefited from a period of record low borrowing costs, a significant increase in property prices (particularly in Sydney and Melbourne) and continued population growth³⁵. These favourable conditions resulted in the value of residential construction growing at a CAGR of 9.6% per annum over this period. The majority of this growth was attributable to the construction of high density residential dwellings along the eastern state capital cities, with the value of attached dwelling construction (new multi-unit apartments and townhouses) increasing at a CAGR of 17.0% per annum over the five years to 31 December 2017. As at 31 December 2017, the number of attached dwellings and houses under construction in Australia totalled 150,237 units and 66,331 houses respectively³⁶.
- 155 Key indicators for residential building activity, including loan approval levels, house prices, auction clearance rates and lending levels, appear to have peaked towards the end of 2017. There has also been a period of heightened scrutiny from lenders, particularly around overseas property investors and interest only loans. Given investor demand has been the major driver of attached dwelling building activity in recent periods, the level of high rise apartment construction activity is expected to moderate over the coming years (albeit from record levels).

Non-residential building

- 156 Non-residential building activity reached record levels of \$40.8 billion in the year to 31 December 2017. However, this level of activity was only marginally higher than that achieved for the year to 31 December 2010 (i.e. seven years prior) which, as noted, was inflated by the Federal government-driven stimulus package post the GFC that targeted the education and healthcare sectors. In the period following the wind back of this stimulus in

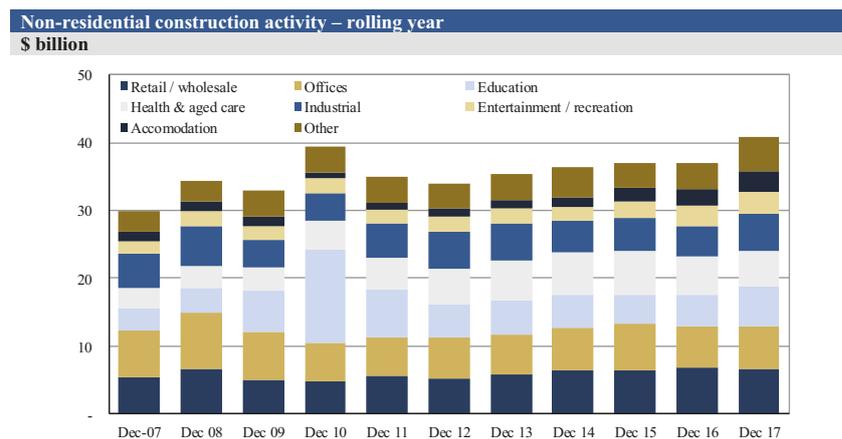
³³ Source: BIS Oxford Economics news release, *Public infrastructure investment wave close to peak; economy requires new growth drivers* dated 14 May 2018.

³⁴ In the May 2018 Budget, the Federal government committed an extra \$24.5 billion to fund new major rail and public transport infrastructure projects across Australia.

³⁵ As mentioned in Section IV, GCS operates in the WA residential building market, conditions for which have been challenging since peak activity levels in FY15. GCS management anticipate residential building activity in WA to remain at subdued levels for the remainder of the 2018 calendar year.

³⁶ Source: ABS.

2011, non-residential construction activity has generally exhibited steady annual growth as shown below:



- 157 Retail building construction represents the largest sub-segment of non-residential building activity, accounting for some 16.3% of the value of construction work completed in the year to 31 December 2017. Demand for retail building construction has been underpinned by positive trends in household consumption, rates of urbanisation and population growth, which creates the demand for new suburban shopping centres, department stores and designer shops in central business district areas.
- 158 The prevailing low interest rate environment and favourable trends in the Australian economy are expected to support a moderate pace of growth in the non-residential building sector over the next five years. In particular, the industrial building sub-segment is expected to benefit from the construction of new warehouse and distribution facilities as a rise in online retail sales creates the need for additional warehousing space (at the same time limiting growth in new retail stores). Other factors that are projected to have a positive impact on construction activity include demand for new office buildings as the labour force continues to grow, demand for new transport buildings such as railway stations and the planned construction of Crown Sydney at the Barangaroo precinct.

Competition

- 159 Market share concentration is relatively low in the Australian building and construction industry, with the largest 10 participants estimated to account (in aggregate) for approximately 10% of industry revenue. As a result competition levels are generally very high. The largest firms include CIMIC Group, LendLease Group, Brookfield Multiplex and Downer EDI and these companies tend to be large scale, multidisciplinary organisations with the capacity to operate across many segments of the construction and building industries.

- 160 Barriers to entry also vary by industry sub-segment according to the level of complexity of construction and the level of capital intensity. Barriers are generally lowest and competition highest in the housing construction sector, where there are numerous smaller operators willing to predominantly compete on price. Barriers to entry tend to be higher (and competition comparatively lower) in the non-residential building sector due to increased size, scale and level of sophistication of the work required (including an understanding of complex construction technologies).

Growth drivers

- 161 Growth in the Australian building and construction industry is underpinned by a number of factors including the size of the Australian population, house prices, housing affordability and interest rates and government funding. A summary of these drivers shown across the residential and non-residential building industries is as follows:

| Growth drivers by industry segment | | |
|---|-----------------------------|---------------------------------|
| | Residential building | Non-residential building |
| Population | ✓ | ✓ |
| House prices | ✓ | - |
| Housing affordability and interest rates | ✓ | ✓ |
| Government funding | ✓ | ✓ |

Population growth

- 162 Construction and building activity has a high correlation with population size. In general, increasing population levels drive demand for residential housing, non-residential social infrastructure (such as education and healthcare facilities), employment facilities, entertainment and recreational facilities (such as sports stadiums) as well as investment in civil infrastructure (such as roads, rail, water and wastewater facilities).
- 163 Australia's population has grown at 1.7% per annum over the 10 years to 30 June 2017, which ranked among the highest rate of growth in the developed world³⁷. Population growth is expected to continue at relatively high levels into the foreseeable future, in part due to Australia's relatively high immigration levels.

House prices

- 164 The direction of residential property prices tends to influence the level of new dwelling investment, with increasing house prices associated with higher levels of building activity and vice versa. The weighted average house price growth across Australia's eight capital cities increased by approximately 63.3%³⁸ over the 10 years to December 2017³⁹. However, dwelling prices have moderated in more recent periods under the weight of tighter lending conditions for interest only and investor loans, and a broader weakening in confidence within the housing market. A number of industry participants anticipate price growth to continue to

³⁷ Source: ABS.

³⁸ This largely reflected the considerable growth in Australia's two largest cities, Sydney and Melbourne, which reported house price growth of approximately 95.1% and 82.2% respectively over the period.

³⁹ Source: ABS.

moderate, notwithstanding that strong population growth and solid growth in employment are likely to be supportive of housing demand.

Housing affordability and interest rates

- 165 Growth in residential and non-residential construction is being supported by accommodative monetary policy and historically low interest rates, with the Reserve Bank of Australia's (RBA) official cash rate at a record low of 1.5%. This reduces borrowing costs for businesses and households which are both at record low levels. Conversely, increasing interest rates tends to weaken demand for housing which can act as a drag on property investment.

Government funding

- 166 The Federal and State governments are significant drivers of key sub segments of the non-residential building industry such as healthcare and education, as well as for infrastructure spending on transport initiatives such as road and rail construction, which can lead to increased residential development. State governments' first home buyer's grants and stamp duty levels and concessions also have the potential to influence demand for residential property investment.

Mining services

The Australian mining industry

- 167 Over the 10 years to 2012, the industrialisation of China and a number of developing economies increased demand for bulk and base metal commodities and generated robust private investment in the Australian mining sector. This was particularly evident in the bulk commodities sector, which experienced unprecedented levels of investment (noting precious and base metals spending levels were also high). At the peak in 2012, the world's 40 largest mining companies by market capitalisation spent US\$138 billion on mining capital expenditure alone⁴⁰.
- 168 The combination of additional supply from new mines constructed and commissioned during the period of higher commodity prices and a slowing Chinese economy⁴¹ (in relative terms) resulted in material declines in bulk commodity prices over the 2012 to 2015 period. In response, Australian mining companies became reluctant to commit to new projects and shifted their focus from expansion to cost containment and operational efficiency. This ultimately reduced the value of mining projects at the committed stage⁴² from \$78.2 billion in October 2012 to \$29.1 billion in October 2016⁴³.
- 169 The decline in commodity prices bottomed out in 2016, and bulk commodities such as coal and iron ore, which had experienced the most significant declines, began to increase in price. This was attributable to (inter-alia):
- (a) a rebound in Chinese domestic property investment

⁴⁰ Refers to payments for property, plant and equipment and exploration expenditure. Source: PwC *Mine 2016*.

⁴¹ China's gross domestic product growth peaked at over 14% in 2007 and fell to below 7.0% in 2016.

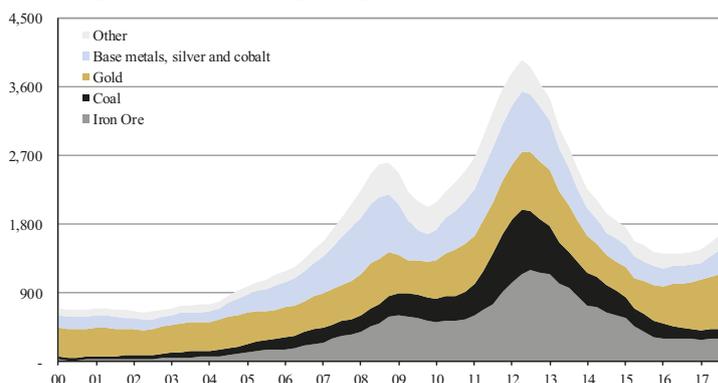
⁴² As reported by the Australian Department of Industry, Innovation and Science. Projects at the committed stage have completed all commercial, engineering and environmental studies, received all required regulatory approvals and finalised the financing for the project. Such projects are considered to have received a positive final investment decision from the owner(s) and are either under construction or preparing to commence construction.

⁴³ Source: Department of Industry, Innovation and Science (2012-2016) *Resources and Energy Major Projects*.

- (b) increased infrastructure investment initiated by Chinese authorities in 2014 to address a noticeable slowdown in Chinese economic activity; and
- (c) a more proactive response from Chinese authorities to the unsustainably high pollution issues prevalent in the majority of manufacturing regions.

170 The recent turnaround in commodity prices has provided Australian mining companies with the impetus to increase expenditure on mineral exploration (i.e. the preceding activity to new project mine developments). A weakening of the Australian dollar (A\$) relative to the United States dollar (US\$), the currency in which most commodities are priced in, has further increased the attractiveness of investing in exploration for commodities, as illustrated in the following chart:

Mineral exploration expenditure – January 2000 to December 2017⁽¹⁾
\$ million (rolling annual total based on quarterly data)



Note:

1 Base metals, silver and cobalt includes copper, nickel, lead and zinc. Other includes uranium, diamonds and mineral sands.

Source: ABS 8412.0 *Mineral and Petroleum Exploration, Australia*.

171 Notwithstanding the increase in exploration expenditure for gold and certain base metals such as copper and cobalt (which is used in electric vehicles), the mining capital expenditure evidence indicates that the Australian mining boom has passed the investment phase. The broader Australian mining industry has now entered the production phase which is characterised by a rapid growth in production and export volumes with capital expenditure of a sustainable / replacement rather than growth nature. The production phase is expected to last until the end of the decade when growth in export volumes tapers off, marking an end to the mining boom⁴⁴ (albeit leaving the mining sector generally operating at a significantly higher sustainable level).

Mining services

172 The mining services industry is comprised of companies that provide specialist services to mining companies across all stages of the mining project lifecycle. These services range from undertaking feasibility studies, the subsequent development and construction of a mining

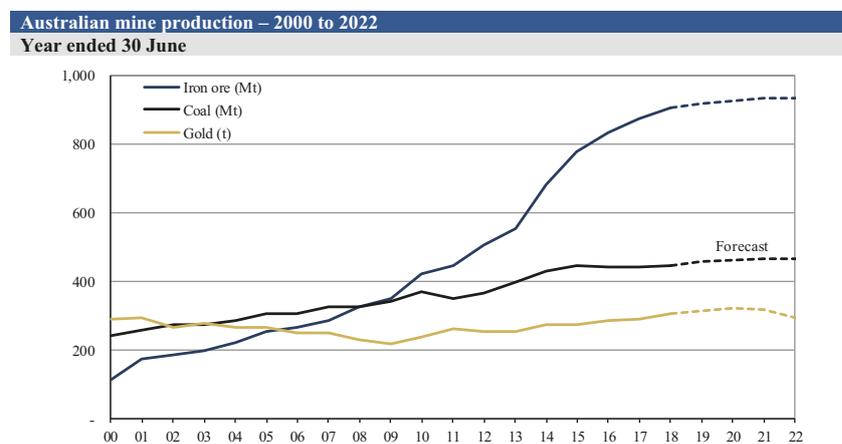
⁴⁴ Source: Department of Innovation, Industry and Science (March 2018) *Resources and Energy Quarterly*.

project and undertaking ongoing mining operations upon mine commissioning. Mining services companies are generally contracted by mining companies for a number of reasons, including but not limited to:

- (a) providing a specialist technical service (such as drill and blast)
- (b) reducing project capital requirements (i.e. capital expenditure is avoided in lieu of increased operational expenditure)
- (c) providing operational expertise for new projects
- (d) increasing productivity and efficiency; and
- (e) reducing operating costs.

173 Demand for mining services is driven by global demand for commodities and the level of mining activity and investment. In line with the reduction in mining capital expenditure over 2011 to 2015, demand for mining construction and associated services fell. During this period, mining companies elected to internalise some previously outsourced operations (or renegotiate at lower rates) and offset the effect of lower prices by reducing capital expenditure and operating costs. This created difficult industry conditions for basic contract mining services companies. More specialised mining services companies were able to better withstand the downturn in industry conditions because the technical services provided by such companies could not be easily replaced by in-house operations.

174 The following chart illustrates actual mine production of iron ore, coal (thermal and metallurgical) and gold over the 17 years to FY17, as well as forecast production over the five years to FY22:



175 As highlighted above, all three commodities expanded production over the above period, however iron ore experienced the largest increase in production, growing by 12.4% per annum in the period from FY00 to FY18 (coal and gold comparable industry growth rates

were 3.5% and a modest 0.2% respectively). Looking forward, however, growth levels over the medium term are expected to reduce given lower levels of investment in recent years. In particular we note that:

- (a) gold mine production is expected to increase by a CAGR of 3.8% to reach a peak of 322 tonnes in FY20 as new mining projects come online. However, a combination of several mine closures and a decline in ore grades as mature assets approach the end of their economic life is expected to reduce annual mine production post FY20
- (b) production of iron ore is expected to grow at a CAGR of 1.4% over the five years to FY22 as Australia's major iron ore producers (BHP Billiton, Rio Tinto and Fortescue Metals Group) increase production to reach their long-term targets⁴⁵
- (c) total coal production is expected to grow at a CAGR of 1.1% over the five years to FY22. Growth is expected to continue to be constrained by flat demand overall for thermal coal in nations that currently consume the majority of Australia's thermal coal exports.

Outlook

176 Mining is a cyclical industry and recent price increases for metal and mineral commodities, as well as sentiment towards mining companies generally, suggests that the cycle has turned upwards. Some of the factors that lend support to this observation include:

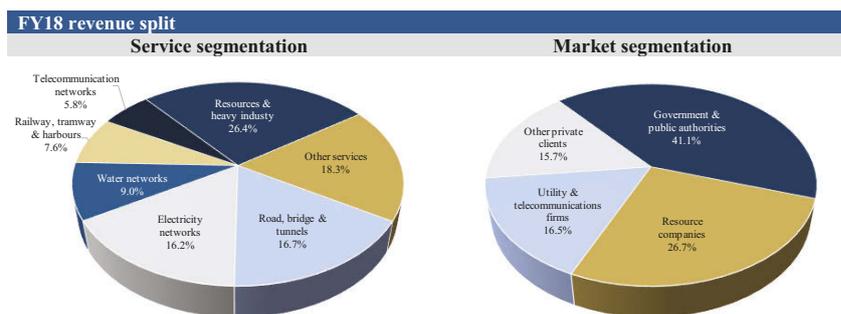
- (a) mining companies have commenced a long overdue reinvestment in their mining operations (in particular, mining plant and equipment) after years of working assets for efficiency and with minimised maintenance
- (b) following a prolonged period of consolidation of operations, mining service companies are looking at expansion and growth options
- (c) the level of bank financing available to mining service companies for requisite working capital has increased as commodity prices have risen; and
- (d) reflective of the more optimistic conditions, recent share prices of both mining companies and mining services companies have generally increased substantially, as has the availability and pricing of new equity capital investment.

Infrastructure maintenance services

177 The infrastructure maintenance services industry provides services to prolong the life of infrastructure assets by ensuring they remain productive (i.e. they operate safely and effectively). This is achieved through the delivery of a broad range of repair and maintenance and associated monitoring services which vary by sector. Infrastructure maintenance services are typically delivered under long-term contracts.

⁴⁵ Annual production significantly above these long-term targets would require related significant investment in new / upgraded infrastructure.

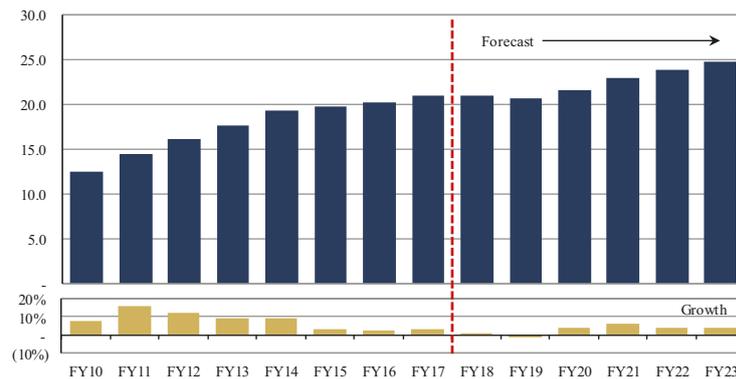
178 Industry segmentation based on services and end-markets for those services, is set out below:



Source: IBISWorld (November 2017) *Infrastructure maintenance services in Australia*.

- 179 The majority of industry revenue is derived from the provision of maintenance services to the resources and heavy industry sectors. Maintenance of transport infrastructure (roads, bridges and tunnels) and electricity networks are also major sources of demand, accounting for roughly one-third of the industry's revenue of \$21 billion. Due to the large stock of state-owned infrastructure such as road and rail networks, the government sector represents the largest end-market serviced by the industry.
- 180 The two largest companies operating in this industry sector are Downer EDI and CIMIC Group, which together account for over 20% of industry revenue. Whilst both of these companies are multi-disciplinary engineering firms that provide a diverse range of maintenance services, the majority of other industry operators provide specialised services to specific sectors, leading to a generally fragmented market. Other large companies operating in the industry include Monadelphous Group, Broadspectrum and WorleyParsons.
- 181 Demand for infrastructure maintenance services in Australia has been underpinned by the continual addition of newly constructed infrastructure assets to the nation's capital stock (particularly in the mining and transport infrastructure sectors) and a growing trend of maintenance programs being outsourced by the public sector to private contractors. The industry has grown at a CAGR of 5.3% (in nominal terms) over the five years to 30 June 2018, although annual growth rates have declined in more recent years as illustrated in the following chart:

Infrastructure maintenance services – industry revenue⁽¹⁾
\$ billion (year ended 30 June)



Note:

¹ IBISWorld forecast revenue in real 2018 dollars. Accordingly, we have applied an assumed inflation factor of 1.8% per annum to the growth forecasts, which is consistent with the bond market's pricing of future inflation over the next five years.

Source: IBISWorld (November 2017) *Infrastructure maintenance services*.

- 182 Future growth is expected to be underpinned by the addition of new infrastructure assets (noting that not all assets will require immediate maintenance services), together with increased spending on maintenance services to extend the life of government owned assets due to budget constraints. However, revenue growth in the short-term is expected to be tempered by lower levels of mining and energy construction activity.

VI Valuation methodology

Valuation approaches

- 183 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buybacks, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 184 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 185 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 186 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA, EBIT or NPAT. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 187 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

Standalone values for the assessment of the relative value contribution

- 188 As the proposed transaction is a merger we have assessed the standalone value of both companies on a minority interest (or portfolio) basis.
- 189 The market value of SRG and GCS (on a standalone basis) has been assessed using the following methodologies:

| Valuation methods used | |
|-------------------------|--|
| Method | Reason |
| Capitalisation of EBITA | <ul style="list-style-type: none"> • Demonstrated history of profits and expectation of ongoing profitability • Listed company EBITA multiples for 'comparable' companies are readily observable • Transaction evidence often expressed in terms of EBITA multiples |
| Listed market price | <ul style="list-style-type: none"> • Share trading in both companies is relatively liquid |

Value of Scheme consideration

- 190 If the Scheme is approved and implemented, SRG shareholders will receive 2.479 GCS shares for each SRG share held (i.e. shares in the Merged Group).
- 191 In order to value the shares in the Merged Group we have aggregated the standalone values of each entity and the value of expected synergy benefits (net of expected implementation costs). In order to allow for the quantum and timing of realisation we have valued expected synergy benefits using the DCF method.
- 192 Our valuation of the shares in the Merged Group has also been cross-checked by reference to the post Scheme announcement trading in GCS shares and the capitalisation of EBITA approach.

VII Valuation of SRG

Overview

- 193 As stated in Section VI, we have adopted the capitalisation of EBITA as our primary valuation method to assess the standalone equity value of SRG (on a minority interest basis). Under this method, the value of the business is represented by its underlying EBITA capitalised at a rate (or EBITA multiple) reflecting the growth and risk inherent in those earnings.
- 194 The value of the equity in SRG is then derived by adding the net realisable value of surplus and other assets and deducting net interest bearing debt.
- 195 The resulting values have been cross-checked for reasonableness by reference to the share prices prevailing prior to the announcement of the Merger.

Assessment of underlying EBITA

- 196 In order to assess the appropriate level of EBITA for valuation purposes we have had regard to the historical and forecast results of the business, and discussed the business' financial performance, operating environment and prospects with SRG management.
- 197 A summary of SRG's revenue and EBITA for the three years to FY17 and 1HY18 is summarised below:

| SRG – summary of segment performance ⁽¹⁾ | | | | |
|---|-------|-------|-------|-------|
| | FY15 | FY16 | FY17 | 1HY18 |
| | \$m | \$m | \$m | \$m |
| Revenue | | | | |
| Construction Segment | 104.4 | 119.9 | 158.9 | 67.1 |
| Mining Segment | 66.3 | 56.5 | 68.6 | 37.6 |
| Total revenue | 170.7 | 176.4 | 227.5 | 104.7 |
| EBITA | | | | |
| Construction Segment | 5.7 | 3.9 | 4.2 | 2.6 |
| Mining Segment | 5.3 | 5.8 | 8.0 | 3.9 |
| Unallocated corporate costs ⁽²⁾ | (5.0) | (1.4) | (5.6) | (3.3) |
| Underlying profit before tax | 6.0 | 8.3 | 6.6 | 3.2 |
| Add interest expense | 0.7 | 0.3 | 0.3 | 0.2 |
| Less interest income | (0.7) | (0.4) | (0.2) | (0.1) |
| Underlying EBITA | 6.1 | 8.3 | 6.7 | 3.4 |
| Underlying EBITA margin | 3.6% | 4.7% | 2.9% | 3.2% |
| Work in hand (at period end) (\$m) | | | | |
| Construction segment | 55.3 | 89.1 | 122.8 | 111.3 |
| Mining segment | 98.7 | 150.9 | 215.2 | 195.7 |
| Total work in hand | 154.0 | 240.0 | 338.0 | 307.0 |

Note:

- 1 Rounding differences exist
- 2 The low level of unallocated corporate costs in FY16 is due to the higher allocation of overheads to the business units in that year.



Commentary on historical results

198 As indicated above, revenue and EBITA margins tend to fluctuate due to the nature of the business, as activity levels vary depending on (inter-alia) the level of contracts won and their timing. In particular, we note that:

- (a) sales revenue declined in FY15 and FY16 (relative to FY13 and FY14 levels which were \$269.7 million and \$221.7 million respectively)
- (b) EBITA margins have improved since FY14 (which coincided with the appointment of the current management team).

FY18 earnings guidance

199 In the Scheme Booklet, SRG have stated that they expect to achieve EBITDA in FY18 of between \$18.0 million and \$20 million⁴⁶. This includes a contribution from TBS Group (which was acquired on 12 April 2018) of around \$1.8 million to \$2.0 million, and implies EBITDA of around \$17 million excluding any contribution from TBS Group.

200 Both revenue and EBITDA are expected to be higher in the second half of FY18 due to (inter-alia) contract wins and the related increase in the value of work undertaken.

201 EBITA margins are also expected to improve in the second half of FY18 due to prevailing higher margin work. As noted above, a greater proportion of work in hand is being sourced from the mining sector (which has consistently generated higher margins for SRG than the construction segment).

202 Based on the actual results (management accounts) for the 11 months to 31 May 2018, SRG appears to be on track to achieve EBITDA (excluding any contribution from TBS Group) of around \$17.0 million (consistent with the mid-point of management's previous guidance).

203 After deducting depreciation, FY18 EBITA is expected to be around \$11.0 million (excluding the contribution from TBS Group).

TBS Group contribution

204 The TBS Group achieved EBITA in FY17 of NZ\$8.8 million (around A\$8.3 million⁴⁷), and is expected to achieve EBITA of between A\$6.2 million and A\$6.7 million in FY18 (based on its actual results for the 11 months ended 31 May 2018).

EBITA adopted for valuation purposes

205 The reported profitability of construction companies can vary significantly from year-to-year depending on, inter-alia, the level of work in hand and project margins. Accordingly, we have had regard to profitability over a number of years. However, as indicated above, the level of work in hand in more recent periods has increased appreciably.

⁴⁶ Excluding one-off costs such as redundancy costs and costs associated with the TBS acquisition and GCS merger.

⁴⁷ Based on the average A\$:NZ\$ exchange rate prevailing during FY17 of A\$1.00 = NZ\$1.0585. Source: Bloomberg.



- 206 Based on the above we have adopted EBITA for valuation purposes of \$18.0 million, as shown below:

| EBITA adopted for valuation purposes | | |
|--------------------------------------|-------------|-------------|
| | Low \$m | High \$m |
| SRG business excluding TBS Group | 10.0 | 12.0 |
| TBS Group | 6.0 | 8.0 |
| Total EBITA | 16.0 | 20.0 |
| <hr/> | | |
| EBITA adopted for valuation purposes | 18.0 | |

EBITA multiple

- 207 The selection of the appropriate EBITA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

| | |
|---|--|
| <ul style="list-style-type: none"> • The stability and quality of earnings • The quality of the management and the likely continuity of management • The nature and size of the business • The spread and financial standing of customers • The financial structure of the company and gearing level • The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors • The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors | <ul style="list-style-type: none"> • The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc • The cyclical nature of the industry • Expected changes in interest rates • The asset backing of the underlying business of the company and the quality of the assets • The extent to which a premium for control is appropriate • Whether the assessment is consistent with historical and prospective earnings |
|---|--|

- 208 We discuss below specific factors taken into consideration when assessing the appropriate EBITA multiple range for SRG.

Listed company multiples

- 209 The following table summarises the EBITA multiples implied from share market trading in the shares of ASX listed companies that provide construction and/or mining services⁴⁸. Due to the size of SRG we have excluded Downer EDI Limited and CIMIC Group Limited (being significantly larger companies):

⁴⁸ Brief descriptions are set out in Appendix C.

| Listed company multiples ⁽¹⁾ | Enterprise value ⁽²⁾ \$m | EBITA multiples | |
|---|--|---------------------------|---------------------------|
| | | FY18F ⁽³⁾ x | FY19F ⁽³⁾ x |
| SRG | 171 | 9.4 | 8.0 |
| GCS | 139 | 6.7 | 5.5 |
| Construction and asset services companies | | | |
| NRW Holdings | 571 | 8.8 | 5.7 |
| Service Stream | 526 | 9.0 | 8.2 |
| RCR Tomlinson | 446 | 7.8 | 5.3 |
| Decmil Group | 183 | nm | 8.3 |
| BSA | 128 | 8.6 | 7.1 |
| Southern Cross Electrical Engineering | 118 | 8.5 | 6.2 |
| Acrow Formwork and Construction Services | 45 | 6.9 | 7.4 |
| Mining services companies | | | |
| Mineral Resources | 3,232 | 7.6 | 6.2 |
| Monadelphous Group | 1,109 | 10.9 | 10.4 |
| Ausdrill | 1,043 | 11.3 | 9.1 |
| Imdex | 463 | 16.4 | 13.4 |
| Macmahon Holdings | 433 | 8.7 | 4.8 |
| MACA | 235 | 6.8 | 5.7 |
| Austin Engineering | 188 | 14.1 | 9.5 |
| Mastermyne Group | 113 | 12.7 ⁽⁴⁾ | na |
| Swick Mining Services | 68 | nm | nm |
| Median – Construction and asset services⁽⁵⁾ | | 8.5 | 7.1 |
| Median – Mining services | | 11.1 | 9.1 |

Note:

- 1 Enterprise value (EV) and earnings multiples calculated as at 5 June 2018.
- 2 EV includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, deferred consideration, market capitalisation adjusted for material option dilution, share placements (for the purpose of reducing debt) and excludes surplus assets.
- 3 Forecast earnings are based on Bloomberg broker average forecasts (excluding outliers and outdated forecasts).
- 4 Multiple based on the top end of management's FY18 EBITDA guidance of \$13 million to \$16 million (as the company stated that it expects to deliver on the upper end of its guidance) less annualised depreciation and amortisation expense for 1HY18.
- 5 Includes SRG and GCS.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis. nm – not meaningful. na – not available.

- 210 As the level of EBITA adopted for valuation purposes is broadly consistent with the EBITA expected to be achieved in FY18 (adjusted to reflect the full year ownership of TBS Group) we have had principal regard to the listed company EBITA multiples for FY18.
- 211 In relation to the above table we note that:
- (a) none of the above ASX listed companies are directly comparable to SRG. In particular, we note that most of the listed construction companies above operate solely in Australia and do not specialise in complex engineering construction
 - (b) SRG's listed company multiple for FY18 is based on analyst forecasts as at 5 June 2018, which have been adjusted to reflect the full year EBITA contribution from the TBS Group (which was acquired in April 2018)



- (c) as at 5 June 2018, SRG was generally trading on higher implied EBITA multiples than other ASX listed companies operating in the construction services sector (including GCS). We have attributed this premium to the following factors:
- (i) the strong reputation of the executive management team, as evidenced by the significant increase in the SRG share price since Mr David Macgeorge assumed his role as Managing Director on 12 May 2014. Since that date, the SRG share price has increased from \$0.525 on 12 May 2014 to \$1.87 per share on 5 June 2018
 - (ii) the significant increase in the level of work in hand achieved over recent years (work in hand increased 41% during FY17, and has increased from \$143 million as at 30 June 2014 to \$307 million as at 31 December 2017⁴⁹)
 - (iii) SRG's reputation for its expertise in complex engineering construction in the fields of dam strengthening and concrete post-tensioning. In this regard, we note that SRG is a global market leader in the dam strengthening market and is currently executing dam strengthening works both domestically and internationally utilising world record capacity permanent anchors. For example, during 1HY18 SRG installed the highest capacity permanent anchors worldwide at the Hazelmere Dam in South Africa (allowing the maximum storage level to be increased by 7 metres and doubling the water volume stored) and is the only company to regularly implement similar capacity anchors worldwide
 - (iv) the strong growth prospects for SRG's dam strengthening business. In this regard we note that, in recent years, SRG has worked on around 4 to 5 dam strengthening projects per annum (over a 2 to 3 year program). However, in the US there are over 90,000 registered dams of which 15,498 are on the "high hazard" list (meaning that they require remediation work in the short to medium term). In order to expand into the North American market⁵⁰ SRG entered into a 50:50 joint venture with Traylor Bros, Inc.⁵¹ in September 2017
 - (v) SRG's relationships with major construction companies, having worked for most of the large construction companies operating in Australia (including Lendlease, Brookfield, Probuild, Grocon and Multiplex). SRG has also had an alliance agreement with Lendlease for over 18 years and is a preferred supplier to the company
 - (vi) the acquisition of TBS Group, which has diversified the SRG business and provided SRG with a level of longer term maintenance revenues
 - (vii) the level of upfront set up costs associated with the establishment of international operations incurred in recent periods (which has reduced short-term historical profitability but has enhanced the earnings growth prospects of the company)

⁴⁹ This level of work in hand excludes any contribution from TBS Group.

⁵⁰ According to SRG approximately 50% of large dams worldwide are located in North America. Source: Page 16 of SRG's 2017 AGM presentation.

⁵¹ Traylor Bros is a US market leader in the delivery of complex civil infrastructure and underground works with 70 years of history operating across North America.

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- (d) the ASX listed mining services companies are generally trading on higher FY18 EBITA multiples than the ASX listed construction companies, which we attribute to (inter-alia) higher earnings growth (due to the continued recovery in the mining sector) and the greater length of mining services contracts generally (as compared to construction services contracts which are often completed within 12 months). In this regard, we note that SRG's mining segment had work in hand as at 31 December 2017 of \$195.7 million compared to the construction segment which had work in hand of \$111.3 million.
- 212 In considering an appropriate EBITA multiple for SRG we also note that asset utilisation in SRG's mining segment is nearing 95%, and consequently future earnings growth in that segment will require further investment in additional equipment.

Transaction evidence

- 213 We have reviewed publicly available information relating to relatively recent transactions involving companies that provide construction and/or mining services in Australia. Due to SRG's recent acquisition of TBS Group (which provides asset and infrastructure maintenance services) we have also reviewed transaction evidence in the asset and infrastructure maintenance sector.
- 214 A summary of the transactions that we identified and for which multiples can be derived based upon publicly available information is set out in the following table:

| Transaction evidence | | | | |
|---|----------------------------|--------------------------------|---|-------------------------|
| Date ⁽¹⁾ | Target | Acquirer | EV 100% ⁽²⁾ (millions) | EBITA multiple X |
| Construction companies | | | | |
| Feb 18 | Watpac ⁽³⁾ | BESIX Group | A\$68 | 6.3 F ⁽⁴⁾⁽⁵⁾ |
| Aug 17 | Golding Group | NRW Holdings | A\$85 | 3.3 H ⁽⁶⁾ |
| Mar 17 | Seymour Whyte | VINCI | A\$85 | 6.2 F ⁽⁶⁾ |
| Mar 17 | Geotech | ACCIONA | A\$262 | 9.9 H |
| Dec 16 | Pindan Group | Oxley Holdings | A\$70 ⁽⁷⁾ | 8.8 H ⁽⁸⁾ |
| Feb 16 | Higgins Group Holdings | Fletcher Building | NZ\$315 | 7.9 F |
| Jul 15 | Austral Construction | Keller | £28 | 5.6 H |
| Jun 15 | HEB Construction | VINCI | A\$70 | 8.4 H |
| Mining services companies | | | | |
| Oct 16 | Bradken | Hitachi Construction Machinery | A\$933 | 12.4 F ⁽⁵⁾ |
| May 16 | Ausenco | Resource Capital Fund IV | A\$153 | 9.1 F ⁽⁵⁾ |
| Jan 16 | Sedgman | CIMIC Group | A\$179 | 6.1 F ⁽⁵⁾ |
| Asset and infrastructure maintenance companies | | | | |
| Apr 18 | TBS Group | SRG | A\$33 | 5.3 F ⁽⁹⁾ |
| Jul 17 | Programmed Maint. Services | PERSOL Holdings | A\$929 | 10.8 F ⁽⁸⁾ |
| Mar 17 | Spotless | Downer EDI | A\$2,124 | 12.5 F ⁽¹⁰⁾ |
| Oct 16 | UGL | CIMIC Group | A\$736 | 8.0 F |
| Jun 16 | TBS Group | Hellaby Holdings | NZ\$48 ⁽¹¹⁾ | 6.0 F |
| Dec 15 | Broadspectrum | Ferrovial Services | A\$1,166 | 6.3 F ⁽⁸⁾ |

Note:

- 1 Date of announcement.
 - 2 Enterprise value on a 100% basis.
 - 3 Transaction represents a proportional “takeover” offer, under which BESIX Group was to acquire 50% of the issued shares in Watpac that it did not already own. On 7 June 2018 Watpac shareholders voted not to proceed with the transaction.
 - 4 Based on the implied value of the core construction business which excludes the net realisable value of the mining and civil business and other surplus assets as assessed by the independent expert.
 - 5 Based on future maintainable earnings as assessed by the independent expert.
 - 6 Based on average underlying EBITA achieved over FY14 to FY17.
 - 7 Transaction was for a 40% stake in the company.
 - 8 Based on average underlying EBITA achieved over FY13 to FY16.
 - 9 Based on the mid-point of forecast FY18 earnings of \$6.0 million to \$6.4 million.
 - 10 Based on consensus forecasts for FY18 (which the Directors of Spotless noted in the Target Statement were below Spotless’ own forecasts). Whilst Spotless did not provide their forecasts for FY18 at the EBITA level in the Target Statement, the Directors’ comments implied that the FY18 earnings multiples for Spotless would be lower than shown above if Spotless’ own earnings forecasts were used.
 - 11 Includes 50% of the maximum earn-out of NZ\$6.0 million.
- H = multiple based on historical EBITA. F = multiple based on forecast EBITA.
Source: LEA analysis using data from ASX announcements, broker reports and company annual reports.

215 In relation to the transaction evidence it should be noted that:

- (a) except where noted, the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a (takeover) premium for control
- (b) except where noted, the transaction multiples are calculated based on the most recent actual earnings (historic multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target company’s “maintainable” earnings
- (c) whilst SRG acquired the TBS Group on an implied EBITA multiple of only 5.3 times forecast EBITA for FY18, this reflects the relatively small size of the business on a standalone basis. As part of SRG, in our opinion, this business is likely to trade on higher EBITA multiples due to (inter-alia) the larger size and more diversified nature of SRG’s operations. This is consistent with the fact that investors have reacted positively to the acquisition of the TBS Group acquisition (as evident by the increase in the SRG share price following the announcement of the acquisition)
- (d) the remaining transactions concern businesses that differ materially in terms of their size and nature of operations when compared to the operations of SRG.

Conclusion on appropriate EBITA multiples

216 As set out in Section VI we have assessed the value of both SRG and GCS on a minority interest (or listed market) basis, which excludes a premium for control. A summary of the FY18 EBITA multiples for ASX listed companies providing construction and/or mining services are set out below:

Listed company EBITA multiples for FY18

| | Range | Median |
|--|------------|--------|
| Construction companies ⁽¹⁾ | 6.7 – 9.4 | 8.5 |
| Mining services companies ⁽²⁾ | 6.8 – 12.7 | 11.1 |

Note:

- 1 Including SRG and GCS.
- 2 Range excludes outliers.

- 217 As noted above, at the date of our analysis, SRG was generally trading on higher implied EBITA multiples than other ASX listed companies operating in the construction services sector (including GCS), which we consider appropriate for the reasons stated in paragraph 211(c).
- 218 For the purposes of our report we have therefore applied an EBITA multiple range of 8.5 times to 9.5 times the level of EBITA adopted for valuation purposes.

Enterprise value

- 219 Given the above, we have assessed the value of SRG's business (before debt) as follows:

| SRG – value of business | | | |
|-------------------------|-----------|--------------|--------------|
| | Paragraph | Low \$m | High \$m |
| EBITA | 206 | 18.0 | 18.0 |
| EBITA multiple (times) | 218 | 8.5 | 9.5 |
| Enterprise value | | 153.0 | 171.0 |

Net debt

- 220 As at 31 December 2017, SRG had net cash of \$3.0 million. However, since that date SRG has:
- (a) acquired TBS Group for approximately A\$32.9 million (including deferred consideration which has now been paid)
 - (b) raised approximately \$24 million in new equity capital⁵² to partially fund the acquisition of TBS Group
 - (c) paid transaction costs associated with the acquisition of TBS Group and related funding of around \$2.4 million.
- 221 The net effect of the above, is that SRG has around \$8.3 million in net debt post the completion of the TBS Group acquisition.
- 222 Having regard to the above, we have concluded that net debt of \$8.3 million is appropriate for valuation purposes.

⁵² Approximately \$20 million in a placement of new shares and \$4 million under a share purchase plan to existing shareholders.

Share capital

- 223 SRG has some 81.5 million shares on issue, 4.95 million performance rights (held by management) and 1.02 million options on issue (which are exercisable at prices ranging between \$0.73 and \$1.40 per share). These options are expected to be exercised prior to implementation of the Scheme raising (in aggregate) approximately \$1.0 million in cash.
- 224 Consequently, SRG will have approximately 87.5 million fully diluted shares on issue (including performance rights).

Valuation summary

- 225 Given the above, we have assessed the market value of SRG shares on a minority interest basis as follows:

| SRG – minority interest value summary | | | |
|--|-----------|--------------|--------------|
| | Paragraph | Low \$m | High \$m |
| EBITA | 206 | 18.0 | 18.0 |
| EBITA multiple | 218 | 8.5 | 9.5 |
| Enterprise value | | 153.0 | 171.0 |
| Net debt | 222 | (8.3) | (8.3) |
| Cash from exercise of options | 223 | 1.0 | 1.0 |
| SRG equity value – minority interest basis | | 145.7 | 163.7 |
| Fully diluted number of shares on issue (million) | 224 | 87.5 | 87.5 |
| SRG equity value – minority interest basis (\$) | | 1.67 | 1.87 |

Comparison with listed market price

- 226 We have cross-checked our assessed value of the equity in SRG against the listed market price of SRG shares between 6 April 2018 (being the first day of trading in SRG shares following the announcement of the TBS Group acquisition) up to 8 June 2018 (being the last trading day prior to the announcement of the Merger). This trading is summarised below:

| SRG – share trading | | | | | |
|-----------------------------|------------------|-----------------|------------------|------------------------|--------------------------|
| | High \$/share | Low \$/share | VWAP \$/share | Value traded \$m | Volume traded 000s |
| 6 April 2018 to 8 June 2018 | 2.06 | 1.69 | 1.88 | 19.4 | 10,311 |

- 227 We note that our assessed underlying valuation range (as determined on a minority interest basis) is broadly consistent with the observed listed market prices.

VIII Valuation of GCS

Overview

- 228 As stated in Section VI, we have adopted the capitalisation of EBITA as our primary valuation method to assess the standalone equity value of GCS (on a minority interest basis). Under this method, the value of the business is represented by its underlying EBITA capitalised at a rate (or EBITA multiple) reflecting the growth and risk inherent in those earnings.
- 229 The value of the equity in GCS is then derived by adding the net realisable value of surplus and other assets and adding net cash.
- 230 The resulting values have been cross-checked for reasonableness by considering the share prices prevailing prior to the announcement of the Merger.

Assessment of underlying EBITA

- 231 In order to assess the appropriate level of EBITA for valuation purposes we have had regard to the historical and forecast results of the business, and discussed the business' financial performance, operating environment and prospects with GCS management.
- 232 A summary of GCS' revenue and EBITA for the three years to FY17 and 1HY18 is summarised below:

| GCS – segment results | | | | |
|--|-------|-------|-------|---------------------|
| | FY15 | FY16 | FY17 | 1HY18 |
| | \$m | \$m | \$m | \$m |
| Revenue | | | | |
| Hire of equipment and related services | 117.5 | 112.1 | 109.6 | 30.1 ⁽¹⁾ |
| Contracting | 25.6 | 66.4 | 94.3 | 81.7 |
| Sale of goods | 7.4 | 6.0 | 3.8 | 0.8 |
| Total revenue | 150.5 | 184.5 | 207.7 | 112.6 |
| Underlying EBITA | 13.7 | 16.8 | 22.9 | 9.2 |
| Underlying EBITA margin | 9.1% | 9.1% | 11.0% | 8.2% |

Note:

- 1 The reduction in revenue from the hire of equipment and related services in 1HY18 is due to the sale of the GCS hire business (which was treated as a discontinued operation in 1HY18 and is not shown in the 1HY18 results shown above). The revenue from the hire of equipment and related services in 1HY18 largely relates to revenue from the rental of scaffolding equipment, hoists and temporary site facilities to clients.

Acquisitions and divestments

- 233 The above results are not directly comparable on a year-to-year basis due to the impact of the following acquisitions and divestments:
- (a) **Gallery Facades** – GCS acquired a 51% interest in Gallery Facades on 7 October 2016. Further, on 4 June 2018 GCS announced that it had acquired the remaining 49% of the ordinary shares of Gallery Facades. It should also be noted that the EBITA shown



above reflects 100% of the EBITA generated by the Gallery Facades business from 7 October 2016, as the 49% attributable to outside equity interests was shown below the EBITA line

- (b) **Summit** – GCS acquired 100% of the Summit business with effect from 11 May 2017
- (c) **GCS hire business** – GCS divested its plant hire business effective 31 October 2017.

- 234 Whilst the results for the six months ended 31 December 2017 (1HY18) shown above reflect the results of the continuing operations only (and exclude the results of the GCS hire business), the FY15 to FY17 results include the GCS hire business. Further, the FY17 result does not reflect the full year earnings contribution from the Gallery Facades and Summit acquisitions.
- 235 Consequently, we set out below the pro-forma results for FY16, FY17 and 1HY18 assuming:
- (a) GCS had disposed of the GCS hire business effective 30 June 2015
 - (b) GCS had acquired 100% of Gallery Facades effective 30 June 2015.
- 236 No pro-forma adjustment has been made in relation to the Summit business acquired on 11 May 2017 because the historical financial information on the business pre acquisition is not considered sufficiently robust.

| GCS – pro-forma EBITA | | | |
|--|-------|-------|-------|
| | FY16 | FY17 | 1HY18 |
| | \$m | \$m | \$m |
| Underlying EBITA | 16.8 | 22.9 | 9.2 |
| Less EBITA contribution from GCS hire business now sold | (5.2) | (0.8) | -(1) |
| Add EBITA generated by Gallery Facades prior to acquisition of initial 51% interest ⁽²⁾ | 2.2 | -(3) | - |
| Add EBITA generated by Summit business prior to acquisition ⁽⁴⁾ | - | - | - |
| Pro-forma EBITA | 13.8 | 22.1 | 9.2 |

Note:

- 1 The GCS hire business was treated as a discontinued operation in 1HY18 and is not included in the underlying EBITA shown above.
- 2 From the date of acquisition of the initial 51% interest (7 October 2016), the reported EBITA included 100% of the EBITA generated by the Gallery Facades business. The amount attributable to outside equity interests was reported below the EBITA line.
- 3 We are instructed that the Gallery Facades business did not generate any material EBITA in the period 1 July 2016 to 7 October 2016 (being the date of acquisition of the initial 51% interest).
- 4 No pro-forma adjustment has been made in relation to the Summit business acquired on 11 May 2017 because the historical financial information on the business pre acquisition is not considered sufficiently robust.

- 237 Underlying EBITA decreased by \$3.8 million during the six months ended 31 December 2017 (1HY18) compared to 1HY17, which reflected a change in margin mix to a greater proportion of contract services (at comparatively lower margins), a highly competitive pricing environment and a very soft residential housing construction market in WA.



FY18 forecast

238 On 2 May 2018, GCS provided the following earnings guidance for FY18:

“GCS advises that the full year result for FY18 is expected to deliver Net Profit After Tax (NPAT) inclusive of discontinued operations of between \$14.4 million and \$15.4 million.

On this basis, GCS expects to deliver NPAT attributable to shareholders of between \$12.4 million and \$13.4 million.

This result includes provision for an effective tax rate of 30%, which will not be paid due to historic tax losses arising on the sale of discontinued operations”.

239 Based on the actual results (management accounts) for the 11 months to 31 May 2018 and management’s latest forecast for June 2018, we note that GCS management have reiterated this forecast in the Scheme Booklet. This forecast implies underlying EBITA, which excludes GCS Hire, of between \$19.4 million and \$20.4 million, which is slightly above the annualised underlying EBITA achieved in 1HY18.

EBITA adopted for valuation purposes

240 The reported profitability of construction companies can vary significantly from year-to-year depending on, inter-alia, the level of work in hand and project margins. Accordingly, we have had regard to profitability over a number of years. However, we have had less regard to the pro-forma FY16 results because the historical results of Gallery Facades prior to the acquisition of GCS’ initial 51% interest in October 2016 were adversely impacted by working capital constraints.

241 Having regard to the above, we have adopted underlying EBITA for valuation purposes of \$20.0 million. This reflects our view that, given the current market conditions, the pro-forma earnings generated in FY17 are unlikely to be repeated in the short to medium term.

EBITA multiple

242 As set out in Section VI we have assessed the value of both SRG and GCS on a minority interest (or listed market) basis, which excludes a premium for control.

243 In assessing the appropriate EBITA multiple for GCS we have considered the comparable listed company and transaction evidence set out and discussed in Section VII. In particular, we note the following:

- (a) due to recent acquisition and divestment activity it is not possible to reliably measure the relative EBITA multiples for SRG and GCS over time. However, as at 5 June 2018 the EBITA multiples for each of SRG, GCS and the other ASX listed construction services companies (based on analyst forecasts for FY18) were as follows:

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| FY18 EBITA multiples as at 5 June 2018 | | |
|--|-------------------------|---------------------|
| | Enterprise value \$m | FY18 EBITA multiple |
| SRG | 171 | 9.4 |
| GCS | 139 | 6.7 |
| Other construction services companies: | | |
| Range | | 6.9 – 9.0 |
| Median | | 8.6 |

- (b) as noted above, SRG was trading on higher EBITA multiples than GCS (and other ASX listed companies operating in the construction services sector). We have attributed this premium to the factors set out in paragraph 211(c)
- (c) on 5 June 2018, GCS was trading on FY18 EBITA multiples below the range of EBITA multiples implied by share market trading in the other ASX listed companies operating in the construction services sector.

244 Having regard to the above, in our opinion, an EBITA multiple range of 6.5 times to 7.5 times is appropriate (on a minority interest basis) when applied to the EBITA that has been adopted for valuation purposes.

Value of GCS business

245 Given the above, we have assessed the value of the GCS business (before net cash) as follows:

| GCS – value of business | | | |
|-------------------------|-----------|--------------|--------------|
| | Paragraph | Low \$m | High \$m |
| EBITA | 241 | 20.0 | 20.0 |
| EBITA multiple (times) | 244 | 6.5 | 7.5 |
| Enterprise value | | 130.0 | 150.0 |

Deferred consideration

246 The following deferred consideration is payable by GCS in relation to its acquisitions of Summit and the 51% interest in Gallery Facades (which was acquired in October 2016):

| GCS – deferred consideration | | \$m |
|---|--|-----|
| Present value of amounts expected to be paid to: | | |
| Summit vendors | | 4.3 |
| Gallery Facade vendors (51%) | | 5.3 |
| Total deferred consideration | | 9.6 |



Net cash

- 247 As at 31 December 2017, GCS had net cash of \$42.0 million. This net cash balance largely arose from the sale of the plant and equipment hire division assets for \$28.3 million, which became effective in November 2017.
- 248 We have applied a 10% discount to this net cash balance to allow for the fact that (based on observed share market trading) investors often ascribe a modest discount to cash and other surplus assets that are not expected to be distributed to shareholders in the short to medium term⁵³.
- 249 We have therefore adopted net cash for the purposes of our minority interest valuation of GCS of \$38.0 million.

Tax losses

- 250 GCS is estimated to have income tax losses of approximately \$22.6 million as at 30 June 2018. We have valued these income tax losses using the DCF method (using a discount rate of 12% per annum) having regard to the time period over which their utilisation is expected to occur.
- 251 In this regard we note that, whilst GCS now holds 100% of the ordinary shares in Gallery Facades, the vendors continue to hold preference shares in Gallery Facades as part of their earn-out arrangements which prevents Gallery Facades from becoming part of the GCS tax consolidated group. This means that:
- (a) the tax losses cannot currently be utilised to reduce the tax liability of Gallery Facades; and
 - (b) utilisation of the tax losses is currently restricted to the income generated by GCS' other businesses (i.e. excluding Gallery Facades).
- 252 On this basis, utilisation of the tax losses is expected to occur over approximately 1.5 to 2.0 years.
- 253 Based on the results of our DCF analysis we have attributed a value for tax losses of \$5.5 million to \$6.0 million.

Share capital outstanding

- 254 As at 12 June 2018, GCS had 222.181 million shares and 1.5 million performance rights on issue. Pursuant to the terms of the Scheme, 1.35 million of these performance rights will be converted to shares on a one for one basis with no consideration payable. The remaining 0.15 million performance rights will be cancelled.
- 255 As consideration for the acquisition of the remaining 49% of ordinary shares in Gallery Facades (which was announced on 4 June 2018) GCS has also agreed to issue up to a further 4.057 million GCS shares, subject to an earn out arrangement which is based on the Gallery Facades business' EBITDA in FY19 (Earn-Out Shares).

⁵³ Pursuant to the SID, an ordinary final dividend (as opposed to a special dividend) may be paid by GCS prior to the Effective Date (as defined in the SID) of the Scheme.



- 256 Based on current expectations regarding the profitability of Gallery Facades in FY19, GCS management expect the Earn-Out Shares to be issued in full. Consequently, for valuation purposes we have adopted 227.6 million fully diluted shares on issue.

Valuation summary

- 257 Given the above, we have assessed the underlying value of 100% of the equity in GCS on a minority interest basis as follows:

| GCS – underlying value summary | | | |
|--|-----------|--------------|--------------|
| | Paragraph | Low \$m | High \$m |
| EBITA | 241 | 20.0 | 20.0 |
| EBITA multiple | 244 | 6.5 | 7.5 |
| Enterprise value | | 130.0 | 150.0 |
| Deferred consideration | 246 | (9.6) | (9.6) |
| Net cash | 249 | 38.0 | 38.0 |
| Value of tax losses | 253 | 5.5 | 6.0 |
| GCS equity value – minority interest basis | | 163.9 | 184.4 |
| Number of shares on issue (million) | 256 | 227.6 | 227.6 |
| GCS equity value – minority interest basis (\$) | | 0.72 | 0.81 |

Comparison with listed market price

- 258 We have cross-checked our assessed value of the equity in GCS against the listed market price of GCS shares in the three months to 8 June 2018 (being the last trading day prior to the announcement of the Scheme).

| GCS – share trading | | | | | |
|-------------------------|------------------|-----------------|------------------|------------------------|--------------------------|
| | High \$/share | Low \$/share | VWAP \$/share | Value traded \$m | Volume traded 000s |
| 3 months to 8 June 2018 | 0.82 | 0.65 | 0.74 | 15.3 | 20,677 |

- 259 We note that our assessed valuation range on a minority interest basis is broadly consistent with the mid to upper end of recent share trading.

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IX Valuation of Scheme consideration

Overview

- 260 If the Scheme is approved and implemented, SRG shareholders will receive 2.479 GCS shares for each SRG share held (i.e. shares in the Merged Group).
- 261 In this section we set out our estimate of the value of the shares in the Merged Group (i.e. the Scheme consideration to be received by SRG shareholders). As discussed in Section VI, we have estimated the underlying equity value (on a portfolio basis) of the Merged Group, by aggregating the:
- (a) underlying standalone value of SRG (as per Section VII)
 - (b) underlying standalone value of GCS (as per Section VIII)
 - (c) value of the cost synergies that are expected to arise from the integration of SRG and GCS (which we have assessed using the DCF method); and
 - (d) expected transaction costs (that have not already been incorporated within our underlying standalone valuations of each company).
- 262 We have divided our assessed value of the equity in the Merged Group by the enlarged number of shares on issue in GCS (on a post transaction basis) to derive an assessed portfolio value of the shares in the Merged Group.
- 263 We have cross-checked our assessed portfolio value of the shares in the Merged Group by reference to:
- (a) the listed market price of GCS shares in the period subsequent to the announcement of the Scheme on 12 June 2018; and
 - (b) the capitalisation of EBITA methodology.

Valuation of the Merged Group

FY18 final dividends

- 264 Pursuant to the terms of the SID, SRG and GCS are permitted to pay the following final dividends in relation to the year ending 30 June 2018 (FY18), prior to the Effective Date (as defined in the SID) of the Scheme:
- (a) **SRG** – a fully franked dividend which, when aggregated with the SRG FY18 interim dividend of 2.0 cents per share, is not more than 60% of SRG's NPAT for FY18
 - (b) **GCS** – a fully franked final dividend for FY18 of up to 2.5 cents per share.
- 265 The amount of the SRG and GCS final dividends has not been determined as at the date of this report. Accordingly, for the purposes of our report we have assumed that both companies will pay the maximum final dividend allowable under the SID. On this basis, we have



assumed a final dividend of \$0.04 per SRG share and \$0.025 per GCS share (totalling \$8.9 million)⁵⁴.

Value of expected cost synergies

- 266 If the Scheme proceeds, SRG and GCS expect to realise (pre-tax) cost synergies of some \$3.0 million to \$4.0 million per annum through combining their businesses.
- 267 Cost synergies are expected to be progressively realised within the two year period post implementation of the Merger. The synergy estimates arise out of detailed “bottom-up” analyses undertaken by the management of each company.
- 268 We have valued the estimated synergy benefits using the DCF methodology (as this better captures the progressive achievement of the estimated savings). In doing so, we have reviewed the detailed calculations that support the anticipated range of cost synergy benefits and discussed the estimated benefits with the management of SRG and GCS.
- 269 We have discounted the estimated cost synergies (net of implementation costs of around \$2.5 million and tax) using a post tax cost of equity (discount rate) of 12% per annum. In our opinion, a potential purchaser would consider the risks associated with the realisation of the synergy benefits (such as implementation risk and over estimation) to be higher than the risks associated with the general operations of either SRG and GCS⁵⁵.
- 270 Our adopted value of the synergy benefits at the end of year two reflects an implied EBITA multiple of some 7.0 times the ongoing annual synergy benefit adopted for valuation purposes of \$3.0 million to \$3.5 million (before tax)⁵⁶. The lower implied multiple relative to that implied in our standalone valuations of SRG and GCS reflects the lower growth in future cost savings relative to the growth that is anticipated in the underlying businesses.
- 271 Based on the above, we have adopted a value for estimated cost synergies (net of implementation costs and tax) at between \$18.0 million and \$21.0 million.

Transaction costs

- 272 Transaction costs related to the Merger are estimated to total approximately \$3.8 million. These costs include financial advisory, legal, accounting, printing, scheme meeting and other transaction associated costs. These costs are one-off and not material in the context of the overall value of the Merged Group (i.e. they represent approximately 1.1% of the aggregate market capitalisation of SRG and GCS immediately prior to the announcement of the Scheme, being approximately \$337 million⁵⁷).

⁵⁴ Based on the number of shares expected to be eligible for the FY18 final dividend (being 82.2 million SRG shares and 222.2 million GCS shares).

⁵⁵ The value benefits of the Merger relate largely to the synergies and broader strategic benefits expected to be realised through the integration of the businesses, and there are risks that the integration of the two businesses may take longer than expected with associated additional costs and the anticipated efficiencies and benefits of that integration may be less than estimated.

⁵⁶ For valuation purposes, we have adopted synergy benefits of \$3.0 million to \$3.5 million per annum, rather than the \$3.0 million to \$4.0 million indicated by management. No value has been attributed to potential revenue synergies or the possibility of being able to utilise GCS' tax losses earlier.

⁵⁷ Calculated on a fully diluted basis as at 30 June 2018.

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- 273 Of these costs, approximately \$2.3 million are unavoidable and will be incurred by SRG and GCS shareholders on a standalone basis if the Scheme does not proceed. We have allowed for each company's share of these unavoidable costs in our respective underlying value assessments. The remaining transaction costs of some \$1.5 million have been allowed for separately below.

Share capital outstanding

- 274 As set out in Section VII, SRG has some 87.5 million fully diluted shares on issue. In contrast, GCS has some 227.6 million fully diluted shares on issue (refer Section VIII).
- 275 A summary of the expected number of shares on issue in the Merged Group is set out below:

| Merged Group – shares on issue | |
|---|--------------|
| | m |
| SRG – number of fully diluted shares currently on issue | 87.5 |
| Multiplied by Merger Ratio | 2.479 |
| Number of GCS shares to be issued to SRG shareholders | 216.9 |
| Number of GCS fully diluted shares currently on issue | 227.6 |
| Merged Group – number of fully diluted shares on issue | 444.5 |
| SRG shareholders' collective ownership interest in Merged Group (%) | 48.8 |
| GCS shareholders' collective ownership in Merged Group (%) | 51.2 |

Valuation summary

- 276 Given the above, we have assessed the underlying value of 100% of the equity in the Merged Group on a minority interest basis as follows:

| Merged Group – underlying value summary ⁽¹⁾ | | | |
|---|-----------|--------------|--------------|
| | Paragraph | Low \$m | High \$m |
| SRG equity value – minority interest basis | 225 | 145.7 | 163.7 |
| GCS equity value – minority interest basis | 257 | 163.9 | 184.4 |
| FY18 final dividends payable ⁽²⁾ | 265 | (8.9) | (8.9) |
| Minority interest value of cost synergies | 271 | 18.0 | 21.0 |
| Estimated transaction costs | 273 | (1.5) | (1.5) |
| Merged Group equity value – minority interest basis⁽³⁾ | | 317.2 | 358.7 |
| Number of fully diluted shares on issue (million) | 275 | 444.5 | 444.5 |
| Merged Group equity value – minority interest basis⁽³⁾ (\$ per share) | | 0.71 | 0.81 |

Note:

- 1 Rounding differences may exist.
- 2 The standalone minority interest equity values have been assessed on a cum-final FY18 dividend basis. However, the shares that SRG shareholders will receive in the Merged Group will be ex the payment of these final dividends by both companies. Accordingly, we have deducted the estimated final dividends payable by both companies.
- 3 Ex the final FY18 dividends to be paid to SRG and GCS shareholders.



Listed market price post announcement of Merger

- 277 We have cross-checked our assessed portfolio value of the equity in the Merged Group against the listed market price of GCS shares in the period subsequent to the announcement of the Scheme on 12 June 2018. To the extent the Scheme is expected to proceed, in our opinion, these prices provide a reasonable indication as to the market's unbiased view of the combined value of the companies and the synergy benefits that are expected to arise.

| GCS share trading post announcement of Merger | | | | | |
|---|------------------|-----------------|------------------|------------------------|--------------------------|
| | High \$/share | Low \$/share | VWAP \$/share | Value traded \$m | Volume traded 000s |
| 12 June 2018 to 13 July 2018 ⁽¹⁾ | 0.75 | 0.675 | 0.687 | 22.9 | 32,152 |

Note:

- 1 The above prices have been adjusted to exclude the assumed final dividend of 2.5 cents to be paid by GCS prior to implementation of the Merger.

- 278 The share price trading in GCS in the period subsequent to the announcement of the Scheme on 12 June 2018 has generally been slightly below the low end of our assessed underlying value of the equity in the Merged Group on a minority interest basis.

Implied EBITA multiple of Merged Group

- 279 We set out below the implied EBITA of the Merged Group on an FY18 basis, adjusted for realisation of expected synergy benefits:

| Merged Group – implied EBITA multiple post synergies | | | | |
|--|--------------------------|--------------------------|------------|-------------|
| | SRG standalone \$m | GCS standalone \$m | Combined | |
| | | | Low \$m | High \$m |
| Value of equity | | | 317.2 | 358.7 |
| Net debt (cash) | 7.3 ⁽¹⁾ | (38.0) | (30.7) | (30.7) |
| Deferred consideration | - | 9.6 | 9.6 | 9.6 |
| FY18 final dividend | 3.3 | 5.6 | 8.9 | 8.9 |
| Transaction costs | | | 1.5 | 1.5 |
| Implementation costs | | | 2.5 | 2.5 |
| Enterprise value | | | 309.0 | 350.5 |
| Normalised EBITA: | | | | |
| SRG (including full year impact of TBS Group) | | | 18.0 | 18.0 |
| GCS | | | 20.0 | 20.0 |
| Synergies | | | 3.0 | 3.5 |
| Normalised EBITA | | | 41.0 | 41.5 |
| Implied EBITA multiple (post synergies) | | | 7.5 | 8.4 |

Note:

- 1 Including \$1.0 million of cash expected from the exercise of options.

- 280 Based on the EBITA multiples for comparable listed companies (set out in Appendix C), in our opinion, the above multiple range for the Merged Group (post completion of the Merger) is reasonable having regard to the inherent risks associated with implementation of the Merger and realisation of the related synergy benefits. We therefore consider our assessed realisable range of values for the Merged Group shares (on a portfolio basis) to be reasonable and appropriate.

Assessed value of Scheme consideration

- 281 Based upon the above, we have assessed the value of the Scheme consideration to be received by SRG shareholders at the amounts set out below:

| Value of Scheme consideration ⁽¹⁾ | | | |
|--|-----------|-------------|-------------|
| | Paragraph | Low \$ | High \$ |
| Assessed value of shares in the Merged Group (ex dividend) | 276 | 0.71 | 0.81 |
| Multiplied by Merger Ratio | 2 | 2.479 | 2.479 |
| Assessed value of Scheme consideration (ex dividend) | | 1.76 | 2.01 |
| FY18 final dividend to be received by SRG shareholders | 265 | 0.04 | 0.04 |
| Assessed value of Scheme consideration (cum dividend)⁽²⁾ | | 1.80 | 2.05 |

Note:

- 1 Rounding differences may exist.
- 2 Including the estimated final FY18 dividend to be paid to SRG shareholders of 4.0 cents per share.

- 282 SRG shareholders should note that the listed market price of GCS shares is subject to daily fluctuation. The price at which GCS shares may be sold subsequent to the implementation of the Merger (i.e. shares in the Merged Group), may therefore be greater or less than our assessed value range. SRG shareholders should also note that any decision to hold GCS shares (i.e. Merged Group shares) beyond the short-term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold GCS shares (i.e. Merged Group shares) should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. SRG shareholders should therefore seek independent professional advice specific to their individual circumstances if required.

X Evaluation of the Scheme

283 In our opinion, the Scheme is in the best interests of SRG shareholders, in the absence of a superior proposal. We have formed this opinion for the reasons detailed below.

Assessment of the Scheme

284 As discussed in Section II, the Scheme should be evaluated as a merger rather than a change of control transaction. In such circumstances, the key issues in the proposed Merger from the perspective of the SRG shareholders are whether:

- (a) the SRG shareholders obtain a collective ownership interest in the Merged Group that is consistent with (or greater than) the relative value they contribute to the Merged Group
- (b) from a value perspective, SRG shareholders are likely to be better off if the Merger proceeds
- (c) the advantages of the Merger outweigh the disadvantages.

285 We consider each of these factors in the following sections.

Relative value contribution

286 As stated above, in assessing a merger, a key consideration is whether the value contributed by each of the merger partners is consistent with the merger terms (i.e. whether the value contributed to the merged entity is consistent with the respective collective ownership interests each group of shareholders will hold in the merged entity). Consequently, when assessing mergers it is important that a consistent basis of valuation be used. That is, when assessing the relative value contribution both companies should be valued either with or without a premium for control. This reflects the fact that it is the relative value of each company which is relevant rather than each company's absolute value. This is consistent with RG 111, which states that where there is a *"merger of entities of equivalent value when control of the merged entity will be shared between the 'bidder' and 'target' ... the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'."*

287 Given the above, LEA has compared SRG shareholders' aggregate interest in the Merged Group (i.e. 48.8%) with the relative value contributed to the Merged Group by SRG shareholders, as measured by reference to:

- (a) LEA's estimates of the underlying minority interest value of each company.
- (b) the listed market price of both GCS and SRG.

Relative value contribution – underlying value

288 LEA has assessed the underlying value of 100% of SRG and GCS on a minority interest basis in Sections VII and VIII of this report.

289 We note that our valuations are prepared on a cum-final FY18 dividend basis. Pursuant to the terms of the SID, SRG and GCS are permitted to pay final dividends in relation to FY18 prior to the implementation of the Scheme, subject to specific maximum limits. As the Merger is occurring on an ex-final dividend (rather than cum-final dividend) basis, we have made

corresponding adjustments to our valuations of each entity on a standalone basis to reflect the assumed payment of these dividends up to the maximum amount permitted by the SID. The adjustment for SRG and GCS is \$3.3 million⁵⁸ and \$5.6 million⁵⁹ respectively.

290 Our analysis of the relative value contribution by each entity is as follows:

| Relative value contribution – LEA’s assessment of underlying value (ex dividend) | | | |
|--|-----------|------------|-------------|
| | Paragraph | Low \$m | High \$m |
| SRG equity value – minority interest basis (cum) | 225 | 145.7 | 163.7 |
| Deduct final FY18 dividend | 289 | (3.3) | (3.3) |
| SRG equity value – minority interest basis (ex dividend) | | 142.4 | 160.4 |
| GCS equity value – minority interest basis (cum) | 257 | 163.9 | 184.4 |
| Deduct final FY18 dividend | 289 | (5.6) | (5.6) |
| GCS equity value – minority interest basis (ex dividend) | | 158.3 | 178.8 |
| Relative value contribution – SRG (ex dividend) | | 47.4 | 47.3 |
| Relative value contribution – GCS (ex dividend) | | 52.6 | 52.7 |

291 Based upon the above underlying valuation analysis, SRG shareholders will have a collective interest in the Merged Group (48.8%) that is slightly greater than their assessed relative contribution to underlying value.

292 Notwithstanding that our analysis is based upon, amongst other things, detailed company financial information and discussions with the respective management teams about the financial performance, operating environment and prospects of each company, it should be noted that the valuation of companies is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of judgement. Accordingly, we are also of the view that our underlying values should not be considered as the sole determinate of the relative value contributions to the Merged Group.

Relative value contribution – listed market prices

293 There is an active, liquid and well-informed market for shares in both GCS and SRG (refer to Sections III and IV). Accordingly, listed market prices provide an objective measure of the relative (minority interest) value contributions made by each group of shareholders to the Merged Group.

294 For the purposes of our analysis, we consider it more appropriate to have greater regard to the more recent trading prices of each company. This is because these prices reflect (at least in theory) the market’s consensus view on the most recent significant company specific events (of which there have been a number), as well as the current economic (including debt and equity market) environment.

⁵⁸ Being the number of SRG shares expected to be eligible for the FY18 final dividend of 82.2 million, multiplied by the assumed maximum dividend of 4.0 cents per share, which we have assumed for the purposes of our assessment will be paid.

⁵⁹ Being the number of GCS shares expected to be eligible for the FY18 final dividend of 222.2 million, multiplied by the assumed maximum permitted dividend of 2.5 cents per share, which we have assumed for the purposes of our assessment will be paid.



- 295 The more recent listed market prices of SRG and GCS shares prior to the announcement of the Scheme (on 12 June 2018) are shown below:

| Relative value contribution – listed market prices | | | | | | |
|--|---------------------|--------------------|--------------|---------------------|--------------------|--------------|
| Period | Price / | SRG | Contribution | Price / | GCS | Contribution |
| | VWAP ⁽¹⁾ | Market | | VWAP ⁽¹⁾ | Market | |
| | \$ | cap ⁽²⁾ | % | \$ | cap ⁽²⁾ | % |
| | | \$m | | | \$m | |
| 1 month to 8 June 2018 – VWAP | 1.94 | 169.8 | 50.7 | 0.725 | 165.0 | 49.3 |
| 6 April 2018 ⁽³⁾ to 8 June 2018 – VWAP | 1.84 | 161.0 | 50.1 | 0.705 | 160.5 | 49.9 |

Note:

- For the purposes of our analysis we have deducted the estimated FY18 final dividends for SRG and GCS of \$0.04 and \$0.025 per share respectively (for the reasons set out in paragraph 289).
- Based upon the number of fully diluted shares currently on issue.
- Being the first day of trading following the announcement of SRG's acquisition of the TBS Group.

Source: Bloomberg and LEA analysis.

- 296 Based upon the above share market trading, we note that SRG's collective contribution to the Merged Group is slightly higher than the collective interest SRG shareholders will receive in the Merged Group. However, in our opinion, the listed market prices should not be considered as the sole determinate of the relative value contributions to the Merged Group.

Conclusion

- 297 The contribution of value by SRG shareholders to the Merged Group relative to their aggregate interest in the Merged Group is summarised below:

| Relative value contribution to the Merged Group | | |
|---|------|------|
| | SRG | GCS |
| | % | % |
| LEA assessed underlying value: | | |
| Low | 47.4 | 52.6 |
| High | 47.3 | 52.7 |
| Listed market prices: | | |
| 1 month VWAP to 8 June 2018 | 50.7 | 49.3 |
| 6 April 2018 ⁽¹⁾ to 8 June 2018 | 50.1 | 49.9 |

Note:

- Being the first day of trading following the announcement of SRG's acquisition of the TBS Group.

- 298 On balance, the analysis indicates that the collective interest SRG shareholders will acquire in the Merged Group (of some 48.8%) is broadly consistent with the relative value to be contributed by SRG shareholders to the Merged Group. Accordingly, in our view, the terms of the Merger are fair to SRG shareholders.

Position before and after implementation of the Scheme

- 299 We have compared the position of SRG shareholders before and after implementation of the Scheme taking into account the value of operational cost savings and other synergies that are expected to be generated should the Scheme proceed. Our comparison has been undertaken

on a like-with-like basis by comparing the value of a minority interest in SRG prior to the announcement of the Scheme with the value of the Scheme consideration (i.e. shares in the Merged Group which have also been assessed on a minority interest basis).

300 The following table summarises our analysis:

| Comparison of Scheme consideration and SRG share value | | | |
|--|-----------|-------------|-------------|
| | Paragraph | Low \$ | High \$ |
| Scheme consideration – minority interest basis ⁽¹⁾ | 281 | 1.80 | 2.05 |
| Value of SRG shares prior to Merger – minority interest basis ⁽¹⁾ | 225 | 1.67 | 1.87 |
| Extent to which the Scheme consideration exceeds (or is less than) the value of SRG ⁽¹⁾ | | 0.13 | 0.18 |
| Percentage change | | 7.8% | 9.6% |

Note:

1 Including the assumed final FY18 dividend to be paid to SRG shareholders of 4.0 cents per share.

- 301 Our assessed value of the Scheme consideration to be received by SRG shareholders exceeds our assessment of the underlying value of a minority interest in SRG shares. Accordingly, from a value perspective, SRG shareholders are likely to be better off if the Merger proceeds.
- 302 However, SRG shareholders should note that the listed market price of GCS shares is subject to daily fluctuation. The price at which GCS shares may be sold subsequent to the implementation of the Merger (i.e. shares in the Merged Group), may therefore be greater or less than our assessed value range. SRG shareholders should also note that any decision to hold GCS shares (i.e. Merged Group shares) beyond the short-term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold GCS shares (i.e. Merged Group shares) should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. SRG shareholders should therefore seek independent professional advice specific to their individual circumstances if required.

Other factors

- 303 We have also considered the following factors when assessing whether the Scheme is in the best interests of SRG shareholders:
- the impact of the Scheme on EPS
 - the likely market price of SRG shares if the proposed Scheme is not approved
 - the potential for a market re-rating of the shares in the Merged Group
 - the impact of the Scheme on the control of SRG, including the proposed Board composition and key management positions of the Merged Group
 - the likelihood of SRG's shareholders receiving a superior proposal prior to the Scheme meeting or in the short-term; and
 - other qualitative and strategic issues associated with the Scheme.

304 These issues are discussed in detail below.



Impact of the Merger on EPS

- 305 As noted above, SRG and GCS management have stated that they expect to achieve between \$3 million and \$4 million in annual cost savings by the end of FY20 as a result of the Merger. In addition, management expect that the Merger will provide the potential for revenue benefits due to (inter-alia):
- (a) cross selling opportunities to the customer bases of each company (in respect of which there is an existing degree of commonality); and
 - (b) the impact of their larger footprint and combined capabilities.
- 306 The realisation of these cost synergies and additional revenue opportunities should reasonably lead to an improvement in EPS in the medium to long term.

Listed market price of SRG shares following the announcement of the Merger

- 307 The VWAP of SRG shares in the period since the Merger was announced (on 12 June 2018) up to and including 13 July 2018 is \$1.74 per share (with a traded range of between \$1.68 and \$1.93 per share).
- 308 The post announcement share prices are lower than the observed prices of SRG shares prior to the announcement of the Scheme, which are summarised below:

| SRG – listed market prices prior to the announcement of the Scheme | |
|--|--------------------|
| Period | Price / VWAP \$ |
| 1 month to 8 June 2018 – VWAP | 1.98 |
| 6 April 2018 ⁽¹⁾ to 8 June 2018 – VWAP | 1.88 |

Note:

1 Being the first day of trading following the announcement of SRG's acquisition of the TBS Group.

Source: Bloomberg.

- 309 Whilst the share prices of the listed construction and mining services companies set out in paragraph 209 have also declined since the announcement of the Merger (the median reduction has been 4.86% and 4.17% respectively up to 13 July 2018), the share price decline for SRG and GCS has been larger than for the other listed companies.
- 310 This indicates that the initial market reaction to the announcement of the Merger has been negative (despite the indicated benefits of the Merger outlined by both companies).

Interest in a larger and more diversified entity

- 311 If the Scheme is approved and implemented, SRG shareholders will hold shares in a much larger and more diversified business. This may attract greater analyst coverage and enhance its profile, particularly with institutional investors, and provide for a more widely dispersed share register, increased liquidity and greater trading depth than that currently experienced by SRG shareholders.

312 The enhanced financial scale of the Merged Group may also provide for improved access to debt and equity capital and possibly on more attractive terms, compared with those currently available to SRG (on a standalone basis). Further, we note that GCS had some \$42 million in net cash as at 31 December 2017. The combination of these two factors is, inter alia, likely to allow the Merged Group to pursue growth opportunities that are not currently available to SRG.

Impact on the control of SRG

313 Whilst SRG shareholders' aggregate economic interest in SRG will be diluted (to 48.8%) if the Scheme is approved and implemented, SRG shareholders should note that:

- (a) SRG shareholders will acquire a corresponding interest in the operations of GCS and the synergy benefits that are expected to arise as a result of the Merger
- (b) the Merged Group's share register is expected to be widely distributed, with no single shareholder owning more than 10%⁶⁰
- (c) the Board of the Merged Group will comprise four members from SRG and three members from GCS
- (d) the key executive and Board positions are being sourced from both companies⁶¹.

Likelihood of an alternative offer

314 We have been advised by the Directors of SRG that no alternative offers have been received subsequent to the announcement of the Scheme on 12 June 2018.

315 In addition, we note that pursuant to the SID:

- (a) SRG has, subject to certain fiduciary carve-outs, agreed to certain exclusivity provisions. For example, it has undertaken not to solicit, initiate, invite, encourage or participate in any potential competing proposal
- (b) SRG must notify GCS if it becomes aware of, amongst other things, negotiations or discussions about an actual, proposed or potential competing proposal or the provision by it of any non-public information about SRG to a third party in connection with an actual, proposed or potential competing proposal
- (c) SRG must pay GCS a cost reimbursement fee of \$1.5 million in certain circumstances (e.g. a competing proposal is announced for SRG during the Exclusivity Period and is completed within 12 months of the announcement date).

316 Accordingly, although it is possible that an alternate offer may emerge, the factors set out above, in our opinion, diminish the likelihood of this occurring.

⁶⁰ Estimated pro-forma position based upon share registers of both companies as at or around 12 June 2018.

⁶¹ The proposed Chairman of the Merged Group is currently the Chairman of GCS and the proposed Managing Director of the Merged Group is the current Managing Director of SRG. The proposed Deputy Chair of the Merged Group is the current Chairman of SRG, and the current Managing Director of GCS will be an executive director of the Merged Group.

Other qualitative and strategic issues

317 Other qualitative and strategic issues associated with the Scheme include:

- (a) **future control premium** – SRG shareholders retain the opportunity to realise a control premium through a change of control transaction involving the Merged Group (i.e. GCS on a post transaction basis) at some time in the future. That said, there can be no assurance that this opportunity will arise
- (b) **integration risks** – the benefits of the Merger relate largely to the synergies and broader strategic benefits expected to be realised through the integration of the businesses. There is a risk that implementation may not result in the full realisation of the estimated cost savings due to various factors including unexpected delays, challenges, liabilities and costs in relation, but not limited to, integrating operating and management systems such as IT, information or accounting systems and the loss of key personnel of the Merged Group
- (c) **interest in GCS** – some SRG shareholders may not want to acquire an economic interest in the GCS business. However, these SRG shareholders have an opportunity to sell their shares either prior to or post the implementation of the Scheme.

Summary of opinion on the Scheme

318 We summarise below the likely advantages and disadvantages for SRG shareholders if the Scheme proceeds:

Advantages

- (a) the value of the Scheme consideration to be received by SRG shareholders exceeds our assessment of the underlying value of a minority interest in SRG shares (primarily due to the value of the operational cost savings that are expected to be generated should the Merger proceed). Accordingly, from a value perspective, SRG shareholders are likely to be better off if the Merger proceeds
- (b) the collective interest that SRG shareholders will acquire in the Merged Group (of some 48.8%) is broadly consistent with the relative value to be contributed by SRG shareholders to the Merged Group. Accordingly, in our view, the terms of the Merger are fair to SRG shareholders
- (c) SRG shareholders will acquire an interest in a much larger, more diversified business with enhanced earnings and related future prospects. The Merged Group will also have enhanced financial scale (relative to SRG on a standalone basis) which may lead to improved access to equity and debt markets and an improved ability to pursue further growth opportunities

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**Disadvantages**

- (d) SRG shareholders should note that the initial market reaction to the announcement of the Merger has been negative (despite the indicated benefits of the Merger outlined by both companies)^{62 63}
- (e) some SRG shareholders may not want to acquire an economic interest in the GCS business. However, these SRG shareholders have an opportunity to sell their SRG shares prior to the implementation of the Scheme, or their GCS shares (i.e. Merged Group shares) after implementation of the Scheme.

Conclusion

319 Notwithstanding the initial negative market reaction to the announcement of the Merger, based on our fundamental analysis of the transaction, in our view, the advantages of the Merger outweigh the disadvantages as we consider that SRG shareholders are likely to be better off if the Merger proceeds. Accordingly, we consider the Scheme to be in the best interests of SRG shareholders, in the absence of a superior proposal.

⁶² The combined market capitalisation of the two companies has fallen by approximately \$25 million (7.7%) since the announcement of the Merger up to 13 July 2018.

⁶³ Whilst the share prices of the listed construction and mining services companies set out in paragraph 209 have also declined since the announcement of the Merger (the median reduction has been 4.86% and 4.17% respectively up to 13 July 2018), the share price decline for SRG and GCS has been larger than for the other listed companies.



Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to SRG shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$135,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.



Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)



Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERS.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 24 years and 32 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of SRG to accompany the Scheme Booklet to be sent to SRG shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Merger is in the best interests of SRG shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

Indemnification

- 5 As a condition of LEA's agreement to prepare this report, SRG agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of SRG which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 6 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

Appendix C

Listed company multiples

- 1 The listed company multiples for a range of Australian construction, asset services and mining services companies are set out below, with a brief description of their activities following:

| Listed company multiples ⁽¹⁾ | Enterprise value ⁽²⁾ | EBITA multiples | | |
|--|---------------------------------|------------------------------|------------------------------|------------------------------|
| | | Forecast ⁽³⁾ FY18 | Forecast ⁽³⁾ FY19 | Forecast ⁽³⁾ FY20 |
| | \$m | x | x | x |
| SRG | 171 | 9.4 ⁽⁴⁾ | 8.0 | 7.0 |
| GCS | 139 | 6.7 | 5.5 | 4.4 |
| Construction and asset services companies | | | | |
| NRW Holdings | 571 | 8.8 | 5.7 | 6.2 |
| Service Stream | 526 | 9.0 | 8.2 | 8.2 |
| RCR Tomlinson | 446 | 7.8 | 5.3 | 5.0 |
| Decmil Group | 183 | nm | 8.3 | 5.8 |
| BSA | 128 | 8.6 | 7.1 | 6.4 |
| Southern Cross Electrical Engineering | 118 | 8.5 | 6.2 | 5.3 |
| Acrow Formwork and Construction Services | 45 | 6.9 | 7.4 | 8.5 |
| Mining services companies | | | | |
| Mineral Resources | 3,232 | 7.6 | 6.2 | 5.0 |
| Monadelphous Group | 1,109 | 10.9 | 10.4 | 9.4 |
| Ausdrill | 1,043 | 11.3 | 9.1 | 8.1 |
| Imdex | 463 | 16.4 | 13.4 | 10.2 |
| Macmahon Holdings | 433 | 8.7 | 4.8 | 4.2 |
| MACA | 235 | 6.8 | 5.7 | 4.3 |
| Austin Engineering | 188 | 14.1 | 9.5 | 7.1 |
| Mastermyne Group | 113 | 12.7 ⁽⁵⁾ | na | na |
| Swick Mining Services | 68 | nm | nm | 7.0 |

Note:

- EV and earnings multiples calculated as at 5 June 2018.
- EV includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, deferred consideration, market capitalisation adjusted for material option dilution, share placements (for the purpose of reducing debt) and excludes surplus assets.
- Forecast earnings are based on Bloomberg broker average forecasts (excluding outliers and outdated forecasts).
- Based on average broker forecasts as at 5 June 2018 and is adjusted to reflect the expected full year EBITA contribution from the TBS Group (which was acquired in April 2018).
- Multiple based on the top end of management's FY18 EBITDA guidance of \$13 million to \$16 million (as the company stated that it expects to deliver on the upper end of its guidance) less annualised depreciation and amortisation expense for 1HY18.

nm – not meaningful. na – not available.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.



Appendix C

Construction and asset services companies

NRW Holdings Limited

- 2 NRW Holdings provides a range of diversified contract services to the resources and infrastructure sectors in Australia. Its activities include the delivery of civil infrastructure projects, bulk earthworks, concrete installation, rail formation and contract mining services including mine development, waste stripping, ore haulage, maintenance services and drill and blast services. NRW Holdings is headquartered in Perth and as at 31 December 2017 had work in hand of some \$1.6 billion. In August 2017, the company acquired Golding Group, a Queensland-based services contractor with exposure to the east coast civil, urban and infrastructure markets.

Service Stream Limited

- 3 Service Stream is a provider of essential network services with expertise in copper, fibre and wireless telecommunication networks. It has three divisions which serve the telecommunication and utility sectors in Australia. The Fixed Communications and Network Construction divisions provide design, engineering, construction, installation, upgrade and maintenance services across fixed-line and fibre-optic telecommunication networks respectively. The Energy and Water division provides asset installation, inspection and maintenance services to water and energy utility companies.

RCR Tomlinson Limited

- 4 RCR Tomlinson is a multi-disciplinary engineering and infrastructure company offering integrated engineering solutions to the infrastructure, energy and resources sectors in Australia, New Zealand and Asia. The group operates under three divisions: RCR Infrastructure is a leading provider of rail, transport, renewable energy, telecommunication, water, electrical and instrumentation, property services and facilities management solutions; RCR Energy is a provider of turnkey solutions for utility, power and industrial energy projects; and RCR Resources is a structural, construction and maintenance provider for the resources, oil & gas and LNG industries. As at 31 December 2017, the company had work in hand of \$1.2 billion.

Decmil Group Limited

- 5 Decmil Group offers a diversified range of services to the Australian resources, renewable energy and infrastructure sectors. It delivers multi-disciplinary projects with expertise across the design, engineering and construction phases. Decmil Group also provides workforce accommodation services at its Homeground Villages property in Gladstone. As at 28 February 2018, it had work in hand of approximately \$325 million, with approximately 55% of this relating to infrastructure projects. Decmil Group is headquartered in Perth with offices in Brisbane, Melbourne and Auckland, New Zealand.

BSA Limited

- 6 BSA is a comprehensive technical services contracting company which provides strategic advice, design, implementation, operations and maintenance services to the telecommunication and technology sectors. It also provides design, installation and maintenance of building services covering air conditioning, heating and ventilation,

Appendix C

refrigeration, fire and electrical systems. BSA is headquartered in Sydney and has a presence in 24 locations across Australia.

Southern Cross Electrical Engineering Limited

- 7 Southern Cross is an electrical contractor engaged in the provision of electrical, instrumentation, construction, communication and maintenance services to the commercial, resources and energy sectors in Australia. The company is headquartered in Perth and employs approximately 1,100 staff. As at 31 December 2017, Southern Cross had work in hand of some \$450 million, the majority of which related to projects in the commercial and infrastructure sectors.

Acrow Formwork and Construction Services Limited

- 8 Acrow is engaged in the hiring of formwork, falsework and scaffolding to the Australian construction industry. Its products are used in the construction of residential and non-residential buildings, infrastructure projects and mining projects. In addition, it undertakes sales of certain formwork equipment and consumables. Acrow has approximately 150 full time employees across its national network comprised of seven depots in Brisbane, Sydney, Melbourne, Hobart, Launceston, Adelaide and Perth.

Mining services

Mineral Resources Limited

- 9 Mineral Resources is an innovative full service provider of mining infrastructure services in Australia. It provides low cost “pit to port” solutions including mining, crushing, materials handling and full support logistics. Mineral Resources has three key brands within its portfolio including Crushing Services International, PIHA and Process Minerals International. In addition, it has made several strategic investments in companies to enhance product and process innovation.

Monadelphous Group Limited

- 10 Monadelphous Group is an Australian based engineering construction company. The company services a broad range of industries with core markets in the resource industry and a particular focus on iron ore, coal and mineral processing. Its services cover engineering and construction, maintenance, industrial and infrastructure. The company operates primarily in Australia but also has operations in Papua New Guinea and China.

Ausdrill Limited

- 11 Ausdrill is a diversified mining and energy services company with key operations in Australia and Africa. The offered services include drill and blast, grade control, water well drilling and equipment sales, hire and parts. In addition, Ausdrill provides load and haul and crusher feed services as well as specialist underground mining services in Africa. The Australian operations are primarily based in Western Australia and the African operations are primarily located in Ghana.

Index Limited

- 12 Index is a provider of drilling fluid products, advance down hole instrumentation, data solutions and geo-analytics services to exploration, development and production companies in



Appendix C

the mining, oil and gas, water wells and civil engineering industries worldwide. Index supports a diverse range of customers at all stages of the mining cycle, from junior explorers to major producers across a wide range of commodities. The company has operational centres in key mining regions of the world, including Asia-Pacific, Africa, Europe and the Americas.

Macmahon Holdings Limited

- 13 Macmahon is an international contract mining services company which specialises in providing the full suite of surface and underground mining services, as well as related engineering design and fabrication and maintenance services. Customers serviced by the company include BHP Billiton, Newcrest Mining, AngloGold Ashanti, Independence Group and Rio Tinto. Macmahon is headquartered in Perth, with operations currently in Australia, Indonesia and Malaysia.

MACA Limited

- 14 MACA is an integrated services contractor offering contract mining, civil earthworks, road asset management, crushing and screening and material haulage solutions primarily in Australia as well as Brazil. The company has two major divisions, being Mining and Civil / Infrastructure, and employs over 1,200 staff. The mining business offers mine to mill solutions and its services are structured as load and haul, drill and blast, crush and screen and materials handling.

Austin Engineering Limited

- 15 Austin Engineering is an engineering company focused on the mining and resources sector. The company has Australian manufacturing facilities in Brisbane, Perth, Mackay and Muswellbrook as well as overseas facilities in Wyoming (US), Antofagasta (Chile), Colombia, Lima (Peru) and Batam Island (Indonesia). Each business division provides an array of manufacturing, repair and support services to the mining, oil and gas, aluminium and industrial sectors.

Mastermyne Group Limited

- 16 Mastermyne Group is a specialist provider of mining services to the Australian coal mining industry. The company provides an extensive range of outsourced services to existing and new coal mining operations. It also has a comprehensive range of underground mining equipment which complements its contracting operations. Mastermyne Group is structured into two key operating groups being Mastermyne Mining and Mastertec Products and Services. The Mastertec Products division provides a range of contracting services to the ports, resources, industrial and infrastructure sectors.

Swick Mining Services Limited

- 17 Swick Mining Services is a mineral drilling contractor, providing both underground and surface drilling services to the Australian resource and mining industry. The company is the market leader in the development of innovative rig designs and drilling practises that improve productivity, safety and versatility. Swick Mining Services has three divisions which include Underground Diamond, Surface Reverse Circulation and Underground Production. The company also operates in Canada, the US, and Europe.

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Appendix D

Glossary

| Term | Meaning |
|--------------------------|---|
| 1HY18 | Six month ending 31 December 2017 |
| A\$ | Australian dollar |
| ABS | Australian Bureau of Statistics |
| ACCC | Australian Competition and Consumer Commission |
| ASIC | Australian Securities & Investments Commission |
| ASX | Australian Securities Exchange |
| BBR Australia | BBR Australia Pty Ltd |
| CAGR | Compound annual growth rate |
| CCM | CCM Group Australia Pty Ltd |
| Corporations Act | <i>Corporations Act 2001 (Cth)</i> |
| Corporations Regulations | <i>Corporations Regulations 2001</i> |
| DCF | Discounted cash flow |
| Earn-out Shares | The issue of approximately 4.1 million GCS shares which is subject to Gallery Facades achieving certain profitability hurdles in FY19 |
| EBIT | Earnings before interest and tax |
| EBITA | Earnings before interest, tax and amortisation of acquired intangibles |
| EBITDA | Earnings before interest, tax depreciation and amortisation |
| EPS | Earnings per share |
| EV | Enterprise value |
| FOS | Financial Ombudsman Services Limited |
| FSG | Financial Services Guide |
| FY | Financial year ended 30 June |
| Gallery Facades | Gallery Facades Australia Pty Limited |
| GCS | Global Construction Services Limited |
| GFC | Global financial crisis |
| GST | Goods and services tax |
| IER | Independent expert's report |
| LEA | Loneragan Edwards & Associates Limited |
| LNG | Liquefied natural gas |
| Merged Group | GCS post Merger (which will include SRG) |
| Merger / Scheme | The proposed merger of SRG and GCS |
| Merger Ratio | 2.479 GCS shares for each SRG share |
| NBN | National Broadband Network |
| NPAT | Net profits after tax |
| NPV | Net present value |
| NSW | New South Wales |
| NZ\$ | New Zealand Dollar |
| RBA | Reserve Bank of Australia |
| RG 111 | Regulatory Guide 111 – <i>Content of expert reports</i> |
| Rock Australia | Rock Engineering (Aust) Pty Limited |
| Scheme / Merger | The proposed merger of SRG and GCS |
| SID | Scheme Implementation Deed |
| SRG | SRG Limited |
| US | United States |
| US\$ | United States Dollar |
| VWAP | Volume weighted average price |
| WA | Western Australia |
| WANOS | Weighted average number of shares outstanding |

ANNEXURE B

SCHEME OF ARRANGEMENT



Scheme of arrangement

SRG Limited

Scheme Shareholders

QV1 Building 250 St Georges Terrace Perth WA 6000 Australia
GPO Box U1942 Perth WA 6845 Australia

T +61 8 9211 7777 F +61 8 9211 7878
herbertsmithfreehills.com DX 104 Perth

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HERBERT
SMITH
FREEHILLS

Scheme of arrangement – share scheme

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

SRG Limited ABN 57 006 413 574 of Level 1, 338 Barker Road,
Subiaco WA 6008

(SRG)

The Scheme Shareholders

1 Definitions, interpretation and scheme components

1.1 Definitions

Schedule 1 contains definitions used in this Scheme.

1.2 Interpretation

Schedule 1 contains interpretation rules for this Scheme.

1.3 Scheme components

This Scheme includes any schedule to it.

2 Preliminary matters

- (a) SRG is a public company limited by shares, registered in Western Australia, Australia and has been admitted to the official list of the ASX. SRG Shares are quoted for trading on the ASX.
- (b) As at 11 June 2018:
 - (1) 81,533,611 SRG Shares were on issue; and
 - (2) it is anticipated that 1,020,000 SRG Options and 4,950,000 SRG Performance Rights will vest (if applicable) and be exercised, such that up to an additional 5,970,000 SRG Shares will be issued prior to the Scheme becoming Effective.



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FREEHILLS

3 Conditions

- (c) GCS is a public company limited by shares registered in Western Australia, Australia and has been admitted to the official list of the ASX. GCS Shares are quoted for trading on the ASX.
- (d) If this Scheme becomes Effective:
 - (1) GCS must provide the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
 - (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to GCS and SRG will enter the name of GCS in the Share Register in respect of the Scheme Shares.
- (e) SRG and GCS have agreed, by executing the Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to GCS but does not itself impose an obligation on it to perform those actions. GCS has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision of the Scheme Consideration to the Scheme Shareholders.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by GCS and SRG;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by GCS and SRG having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date SRG and GCS agree in writing).

3.2 Certificate

- (a) SRG and GCS will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

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4 Implementation of this Scheme

- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.3 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
(b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless SRG and GCS otherwise agree in writing (and, if required, as approved by the Court).

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

SRG must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme (or such other Business Day as SRG and GCS agree in writing).

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5 (excluding clause 5.1(b)), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to GCS, without the need for any further act by any Scheme Shareholder (other than acts performed by SRG as attorney and agent for Scheme Shareholders under clause 8.5), by:
- (1) SRG delivering to GCS a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by SRG, for registration; and
 - (2) GCS duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to SRG for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), but subject to the stamping of the Scheme Transfer (if required), SRG must enter, or procure the entry of, the name of GCS in the Share Register in respect of all the Scheme Shares transferred to GCS in accordance with this Scheme.



5 Scheme Consideration

5.1 Provision of Scheme Consideration

GCS must, subject to clauses 5.2, 5.3, 5.5 and 5.7:

- (a) on or before the Implementation Date, issue the Scheme Consideration to the Scheme Shareholders and procure that the name and address of each Scheme Shareholder is entered in the GCS Register in respect of those New GCS Shares; and
- (b) procure that on or before the date that is 10 Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New GCS Shares issued to the Scheme Shareholder pursuant to this Scheme.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) the New GCS Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of SRG, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and
- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of SRG, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.3 Ineligible Foreign Shareholders

- (a) GCS will be under no obligation to issue any New GCS Shares under this Scheme to any Ineligible Foreign Shareholder and instead:
 - (1) subject to clauses 5.5 and 5.7, GCS must, on or before the Implementation Date, issue the New GCS Shares which would otherwise be required to be issued to the Ineligible Foreign Shareholders under this Scheme to the Sale Agent;
 - (2) GCS must procure that as soon as reasonably practicable on or after the Implementation Date, the Sale Agent, in consultation with GCS sells or procures the sale of all the New GCS Shares issued to the Sale Agent and remits to SRG the proceeds of the sale (after deduction of any applicable brokerage, stamp duty and other costs, taxes and charges) (**Proceeds**);
 - (3) promptly after receiving the Proceeds in respect of the sale of all of the New GCS Shares referred to in clause 5.3(a)(1), SRG must pay, or procure the payment, to each Ineligible Foreign Shareholder, of the amount 'A' calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where

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5 Scheme Consideration

B = the number of New GCS Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which were issued to the Sale Agent instead;

C = the total number of New GCS Shares which would otherwise have been issued to all Ineligible Foreign Shareholders and which were issued to the Sale Agent; and

D = the Proceeds (as defined in clause 5.3(a)(2)) less any applicable currency conversion costs.

- (b) The Ineligible Foreign Shareholders acknowledge that none of GCS, SRG or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New GCS Shares described in clause 5.3(a). The sale of the New GCS Shares under this clause 5.3 will be at the risk of the Ineligible Foreign Shareholder.
- (c) SRG must make, or procure the making of, payments to Ineligible Foreign Shareholders under clause 5.3(a) by either (in the absolute discretion of SRG, and despite any election referred to in clause 5.3(c)(1) or authority referred to in clause 5.3(c)(2) made or given by the Scheme Shareholder):
- (1) if an Ineligible Foreign Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the SRG Registry to receive dividend payments from SRG by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (2) paying or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority from the Ineligible Foreign Shareholder to SRG; or
 - (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) If SRG receives professional advice that any withholding or other tax is required by law or by a Government Agency to be withheld from a payment to an Ineligible Foreign Shareholder, SRG is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.3(a)(3)). SRG must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Foreign Shareholder.
- (e) Each Ineligible Foreign Shareholder appoints SRG as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law.

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Scheme of arrangement

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5 Scheme Consideration

- (f) Payment of the amount calculated in accordance with clause 5.3(a) to an Ineligible Foreign Shareholder in accordance with this clause 5.3 satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.

5.4 Other ineligible Scheme Shareholders

Where the issue of New GCS Shares to which a Scheme Shareholder (who is not an Ineligible Foreign Shareholder) would otherwise be entitled under this Scheme would result in a breach of law:

- (a) GCS will issue the maximum possible number of New GCS Shares to the Scheme Shareholder without giving rise to such a breach; and
- (b) any further New GCS Shares to which that Scheme Shareholder is entitled, but the issue of which to the Scheme Shareholder would give rise to such a breach, will instead be issued to the Sale Agent and dealt with under the preceding provisions in clause 5.3, as if a reference to Ineligible Foreign Shareholders also included that Scheme Shareholder and references to that person's New GCS Shares in that clause were limited to the New GCS Shares issued to the Sale Agent under this clause.

5.5 Fractional entitlements and splitting

Where the calculation of the number of New GCS Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a New GCS Share, the fractional entitlement will be rounded down to the nearest whole number of New GCS Shares.

5.6 Unclaimed monies

- (a) SRG may cancel a cheque issued under this clause 5 if the cheque:
- (1) is returned to SRG; or
 - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to SRG (or the SRG Registry), SRG must reissue a cheque that was previously cancelled under this clause 5.6.
- (c) The *Unclaimed Money Act 1990 (WA)* will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 6 of the *Unclaimed Money Act 1990 (WA)*).

5.7 Orders of a court or Government Agency

If written notice is given to SRG (or the SRG Registry) or GCS (or the GCS Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by SRG in accordance with this clause 5, then SRG shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or

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6 Dealings in SRG Shares

- (b) prevents SRG from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, SRG shall be entitled to (as applicable):
- (1) retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration; and/or
 - (2) direct GCS not to issue, or to issue to a trustee or nominee, such number of New GCS Shares as that Scheme Shareholder would otherwise be entitled to under clause 5.1,
- until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

5.8 Status of New GCS Shares

Subject to this Scheme becoming Effective, GCS must:

- (a) issue the New GCS Shares required to be issued by it under this Scheme on terms such that each such New GCS Share will, from the date of its issue, rank equally in all respects with each existing GCS Share;
- (b) ensure that each such New GCS Share is duly and validly issued in accordance with all applicable laws and GCS's constitution, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under GCS's constitution); and
- (c) use all reasonable endeavours to ensure that such New GCS Shares are, from the Business Day following the date this Scheme becomes Effective (or such later date as ASX requires), approved for official quotation on ASX, and that trading in the New GCS Shares on the ASX commences on the Business Day after the Effective Date on a deferred settlement basis, and then on an ordinary settlement basis on and from the Business Day after the Implementation Date.

6 Dealings in SRG Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in SRG Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Share Register as the holder of the relevant SRG Shares before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Share Register is kept,

and SRG must not accept for registration, nor recognise for any purpose (except a transfer to GCS pursuant to this Scheme and any subsequent transfer by GCS or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.



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7 Quotation of SRG Shares

6.2 Register

- (a) SRG must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires SRG to register a transfer that would result in a SRG Shareholder holding a parcel of SRG Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and SRG shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, SRG must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for SRG Shares (other than statements of holding in favour of GCS) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of GCS) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the SRG Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, SRG will ensure that details of the names, Registered Addresses and holdings of SRG Shares for each Scheme Shareholder as shown in the Share Register at the Scheme Record Date are available to GCS in the form GCS reasonably requires.

7 Quotation of SRG Shares

- (a) SRG must apply to ASX to suspend trading on the ASX in SRG Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by GCS, SRG must apply:
 - (1) for termination of the official quotation of SRG Shares on the ASX; and
 - (2) to have itself removed from the official list of the ASX.



8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) SRG may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which GCS has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which SRG has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (1) agrees to the transfer of their SRG Shares together with all rights and entitlements attaching to those SRG Shares in accordance with this Scheme;
 - (2) agrees to the variation, cancellation or modification of the rights attached to their SRG Shares constituted by or resulting from this Scheme;
 - (3) agrees to, on the direction of GCS, destroy any holding statements or share certificates relating to their SRG Shares;
 - (4) agrees to become a member of GCS and to be bound by the terms of the constitution of GCS;
 - (5) who holds their SRG Shares in a CHESS Holding agrees to the conversion of those SRG Shares to an Issuer Sponsored Holding and irrevocably authorises SRG to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion ; and
 - (6) acknowledges and agrees that this Scheme binds SRG and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to SRG and GCS on the Implementation Date, and appointed and authorised SRG as its attorney and agent to warrant to GCS on the Implementation Date, that all their SRG Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their SRG Shares to GCS together with any rights and entitlements attaching to those shares. SRG undertakes that it will be taken to have provided such warranty to GCS as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to



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8 General Scheme provisions

GCS will, at the time of transfer of them to GCS vest in GCS free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5 (excluding clause 5.1(b)), GCS will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by SRG of GCS in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of attorney, agent and sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5 (excluding clause 5.1(b)), and until SRG registers GCS as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed GCS as attorney and agent (and directed GCS in each such capacity) to appoint any director, officer, secretary or agent nominated by GCS as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a)); and
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as GCS reasonably directs;
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), GCS and any director, officer, secretary or agent nominated by GCS under clause 8.4(a) may act in the best interests of GCS as the intended registered holder of the Scheme Shares.

8.5 Authority given to SRG

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints SRG and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against GCS and SRG undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against GCS on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints SRG and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and SRG accepts each such appointment. SRG as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

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8.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to SRG that are binding or deemed binding between the Scheme Shareholder and SRG relating to SRG or SRG Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on SRG Shares; and
- (c) notices or other communications from SRG (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by GCS in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to GCS and to be a binding instruction, notification or election to, and accepted by, GCS in respect of the New GCS Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to GCS at its registry.

8.7 Binding effect of Scheme

This Scheme binds SRG and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of SRG.

9 General

9.1 Stamp duty

GCS will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to GCS doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, SRG or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to SRG, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at SRG's registered office or at the office of the SRG Registry.



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9 General

- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a SRG Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

- (a) This Scheme is governed by the laws in force in Western Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

SRG must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither SRG, GCS nor any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

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Schedule 1

Definitions and interpretation

1 Definitions

The meanings of the terms used in this Scheme are set out below.

| Term | Meaning |
|-------------------------|---|
| ASIC | the Australian Securities and Investments Commission. |
| ASX | ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates. |
| Business Day | a day that is not a Saturday, Sunday or public holiday or bank holiday in Perth, Western Australia. |
| CHESS | the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited. |
| CHESS Holding | has the meaning given in the Settlement Rules. |
| Corporations Act | the <i>Corporations Act 2001</i> (Cth). |
| Court | the Federal Court (Western Australia registry), or such other court of competent jurisdiction under the Corporations Act agreed to in writing by GCS and SRG. |
| Deed Poll | the deed poll substantially in the form of Attachment 1 under which GCS covenants in favour of the Scheme Shareholders to perform the obligations attributed to GCS under this Scheme. |
| Effective | when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme. |



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Schedule 1 Definitions and interpretation

| Term | Meaning |
|---------------------------------------|---|
| Effective Date | the date on which this Scheme becomes Effective. |
| End Date | 30 November 2018, or such other date as agreed in writing by GCS and SRG. |
| GCS | Global Construction Services Limited ABN 81 104 662 259 of 2 Redcliffe Road, Redcliffe WA 6104. |
| GCS Register | the register of shareholders maintained by GCS or its agent. |
| GCS Registry | Computershare Investor Services Pty Ltd ACN 078 279 277. |
| GCS Share | a fully paid ordinary share in the capital of GCS. |
| Government Agency | any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. |
| Implementation Date | the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by SRG and GCS. |
| Implementation Deed | the scheme implementation deed dated 11 June 2018 between SRG and GCS relating to the implementation of this Scheme. |
| Ineligible Foreign Shareholder | <p>a Scheme Shareholder whose address shown in the Share Register on the Scheme Record Date is a place outside:</p> <ol style="list-style-type: none"> 1 Australia and its external territories; 2 New Zealand; 3 Hong Kong (either (i) where the applicable SRG Shareholder is a "professional investor" (as defined in the Securities and Futures Ordinance of Hong Kong) or (ii) where the applicable SRG Shareholder is not a "professional investor", the number of such applicable SRG Shareholders who are not "professional investors" does not exceed 50); and 4 the Philippines (where the number of applicable SRG Shareholders does not exceed 20), |

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Schedule 1 Definitions and interpretation

| Term | Meaning |
|---------------------------------|---|
| | unless GCS determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New GCS Shares when this Scheme becomes Effective. |
| Issuer Sponsored Holding | has the meaning given in the Settlement Rules. |
| Marketable Parcel | is a parcel of New GCS Shares having a value of not less than \$500 based on the closing price of fully paid ordinary shares of GCS on the ASX as at the Scheme Record Date. |
| New GCS Share | a fully paid ordinary share in GCS to be issued to Scheme Shareholders under this Scheme. |
| Operating Rules | the official operating rules of ASX. |
| Registered Address | in relation to a SRG Shareholder, the address shown in the Share Register as at the Scheme Record Date. |
| Sale Agent | the nominee appointed by GCS (as contemplated by and in accordance with clause 4.5 of the Implementation Deed) to sell the New GCS Shares that are to be issued under clause 5.3(a)(1) of this Scheme. |
| Scheme | this scheme of arrangement under Part 5.1 of the Corporations Act between SRG and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by SRG and GCS. |
| Scheme Consideration | for each SRG Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of 2.479 New GCS Shares, subject to the terms of this Scheme. |
| Scheme Meeting | the meeting of the SRG Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting. |
| Scheme Record Date | 7.00pm (Sydney time) on the fifth Business Day after the Effective Date. |



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Schedule 1 Definitions and interpretation

| Term | Meaning |
|-------------------------------|--|
| Scheme Shares | all SRG Shares held by the Scheme Shareholders as at the Scheme Record Date. |
| Scheme Shareholder | a holder of SRG Shares recorded in the Share Register as at the Scheme Record Date. |
| Scheme Transfer | a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of GCS as transferee, which may be a master transfer of all or part of the Scheme Shares. |
| Second Court Date | the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard. |
| Settlement Rules | the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd. |
| Share Register | the register of members of SRG maintained by SRG or the SRG Registry in accordance with the Corporations Act. |
| SRG | SRG Limited ABN 57 006 413 574 of Level 1, 338 Barker Road, Subiaco WA 6008. |
| SRG Options | <p>the options to subscribe for SRG Shares as issued by SRG detailed below:</p> <ul style="list-style-type: none"> • 55,000 options granted on 18/02/2015 exercisable at \$0.835 each; • 400,000 options granted on 19/11/14 exercisable at \$0.827 each; • 200,000 options granted on 30/05/16 exercisable at \$0.73 each; • 200,000 options granted on 22/11/17 exercisable at \$1.29 each; and • 165,000 options granted on 22/11/17 exercisable at \$1.40 each, <p>which collectively are capable of being converted into 1,020,000 SRG Shares.</p> |
| SRG Performance Rights | <p>the performance rights as issued by SRG under its incentive plans detailed below:</p> <ul style="list-style-type: none"> • 900,000 performance rights for the period ending 30 June 2018; |

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| Term | Meaning |
|------------------------|---|
| | <ul style="list-style-type: none"> • 1,050,000 performance rights for the period ending 30 June 2019; • 750,000 performance rights for the period ending 30 June 2020; • 550,000 performance rights for the period ending 30 June 2021; • 750,000 performance rights vesting 1 July 2019; and • 950,000 performance rights vesting 1 July 2021, which collectively are capable of being converted into 4,950,000 SRG Shares. |
| SRG Registry | Computershare Investor Services Pty Ltd ACN 078 279 277. |
| SRG Share | a fully paid ordinary share in the capital of SRG. |
| SRG Shareholder | each person who is registered as the holder of a SRG Share in the Share Register. |
| Subsidiary | has the meaning given in Division 6 of Part 1.2 of the Corporations Act. |

2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;



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Schedule 1 Definitions and interpretation

- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Perth, Western Australia;
- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1 of this Schedule 1, has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (r) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and
- (s) a reference to the Listing Rules and the Operating Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

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Attachment 1

Deed Poll

[Please refer to Annexure C of this Scheme Booklet]

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ANNEXURE C

DEED POLL



Deed

Share scheme deed poll

Global Construction Services Limited

QV1 Building 250 St Georges Terrace Perth WA 6000 Australia
GPO Box U1942 Perth WA 6845 Australia

T +61 8 9211 7777 F +61 8 9211 7878
herbertsmithfreehills.com DX 104 Perth

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Share scheme deed poll

Date ▶ 17/7/2018

This deed poll is made

By **Global Construction Services Limited**
ABN 81 104 662 259 of 2 Redcliffe Road, Redcliffe WA 6104
(GCS)

in favour of each person registered as a holder of fully paid ordinary shares in SRG in the Share Register as at the Scheme Record Date.

Recitals

- 1 SRG and GCS entered into the Implementation Deed.
- 2 In the Implementation Deed, GCS agreed to make this deed poll.
- 3 GCS is making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Deed and the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

| Term | Meaning |
|----------------------------|--|
| First Court Date | the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard. |
| Implementation Deed | the scheme implementation deed entered into between SRG and GCS dated 11 June 2018. |



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2 Conditions to obligations

| Term | Meaning |
|---------------|--|
| Scheme | the scheme of arrangement under Part 5.1 of the Corporations Act between SRG and the Scheme Shareholders, substantially in the form set out in Attachment 1, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by GCS and SRG. |
| SRG | SRG Limited ABN 57 006 413 574 of Level 1, 338 Barker Road, Subiaco WA 6008 |

- (b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Sections 2, 3 and 4 of Schedule 1 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

GCS acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints SRG and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against GCS.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of GCS under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of GCS (if any have come into force or effect) under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective on or before the End Date,

unless GCS and SRG otherwise agree in writing (and, if required, as approved by the Court).

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2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) GCS is released from its obligations to further perform this deed poll except those obligations under clause 7.1; and
- (b) each Scheme Shareholder retains the rights they have against GCS in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

3.1 Undertaking to issue Scheme Consideration

Subject to clause 2, GCS undertakes in favour of each Scheme Shareholder to:

- (a) provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- (b) undertake all other actions attributed to it under the Scheme, subject to and in accordance with the provisions of the Scheme.

3.2 Shares to rank equally

GCS covenants in favour of each Scheme Shareholder that the New GCS Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

- (a) rank equally with all existing GCS Shares (from the date of issue of the New GCS Shares); and
- (b) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4 Warranties

GCS represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

- (a) it is a public company validly existing under the laws of Australia;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and



- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) GCS has fully performed its obligations under this deed poll; or
 (b) the earlier termination of this deed poll under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
 (b) addressed to GCS in accordance with the details set out below (or any alternative details nominated by GCS by Notice).

| | |
|----------------------|--|
| Attention | Enzo Gullotti and Nigel Magnus Land |
| Address | 2 Redcliffe Road, REDCLIFFE, WA, AUSTRALIA, 6104 |
| Email address | enzo.gullotti@gcs.group nigel.land@gcs.group |

6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
 (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

| Method of giving Notice | When Notice is regarded as given and received |
|----------------------------------|--|
| By hand to the nominated address | When delivered to the nominated address |

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7 General

| Method of giving Notice | When Notice is regarded as given and received |
|---|--|
| By pre-paid post to the nominated address | At 9.00am (addressee's time) on the second Business Day after the date of posting |
| By email to the nominated email address | The first to occur of: <ol style="list-style-type: none"> 1 the sender receiving an automated message confirming delivery; or 2 two hours after the time that the email was sent (as recorded on the device from which the email was sent) provided that the sender does not, within the period, receive an automated message that the email has not been delivered. |

6.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than email as permitted in clause 6.2).

7 General

7.1 Stamp duty

GCS:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under or in connection with the Scheme and this deed poll; and
- (b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Western Australia.
- (b) GCS irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. GCS irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.3 Waiver

- (a) GCS may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.



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7 General

- (b) No Scheme Shareholder may rely on words or conduct of GCS as a waiver of any right unless the waiver is in writing and signed by GCS, as appropriate.
- (c) The meanings of the terms used in this clause 7.3 are set out below.

| Term | Meaning |
|---------|---|
| conduct | includes delay in the exercise of a right. |
| right | any right arising under or in connection with this deed poll and includes the right to rely on this clause. |
| waiver | includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel. |

7.4 Variation

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by SRG; or
- (b) if on or after the First Court Date, the variation is agreed to by SRG and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event GCS will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of GCS and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights created by this deed poll are personal to GCS and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of GCS.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action

GCS must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

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Attachment 1

Scheme

[Attached]



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Scheme of arrangement

SRG Limited

Scheme Shareholders

QV1 Building 250 St Georges Terrace Perth WA 6000 Australia
GPO Box U1942 Perth WA 6845 Australia

T +61 8 9211 7777 F +61 8 9211 7878
herbertsmithfreehills.com DX 104 Perth

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Scheme of arrangement – share scheme

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

SRG Limited ABN 57 006 413 574 of Level 1, 338 Barker Road,
Subiaco WA 6008
(SRG)

The Scheme Shareholders

1 Definitions, interpretation and scheme components

1.1 Definitions

Schedule 1 contains definitions used in this Scheme.

1.2 Interpretation

Schedule 1 contains interpretation rules for this Scheme.

1.3 Scheme components

This Scheme includes any schedule to it.

2 Preliminary matters

- (a) SRG is a public company limited by shares, registered in Western Australia, Australia and has been admitted to the official list of the ASX. SRG Shares are quoted for trading on the ASX.
- (b) As at 11 June 2018:
 - (1) 81,533,611 SRG Shares were on issue; and
 - (2) it is anticipated that 1,020,000 SRG Options and 4,950,000 SRG Performance Rights will vest (if applicable) and be exercised, such that up to an additional 5,970,000 SRG Shares will be issued prior to the Scheme becoming Effective.



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3 Conditions

- (c) GCS is a public company limited by shares registered in Western Australia, Australia and has been admitted to the official list of the ASX. GCS Shares are quoted for trading on the ASX.
- (d) If this Scheme becomes Effective:
 - (1) GCS must provide the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
 - (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to GCS and SRG will enter the name of GCS in the Share Register in respect of the Scheme Shares.
- (e) SRG and GCS have agreed, by executing the Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to GCS but does not itself impose an obligation on it to perform those actions. GCS has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision of the Scheme Consideration to the Scheme Shareholders.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by GCS and SRG;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by GCS and SRG having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date SRG and GCS agree in writing).

3.2 Certificate

- (a) SRG and GCS will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

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Scheme of arrangement

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4 Implementation of this Scheme

- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.3 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
 (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless SRG and GCS otherwise agree in writing (and, if required, as approved by the Court).

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

SRG must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme (or such other Business Day as SRG and GCS agree in writing).

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5 (excluding clause 5.1(b)), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to GCS, without the need for any further act by any Scheme Shareholder (other than acts performed by SRG as attorney and agent for Scheme Shareholders under clause 8.5), by:
- (1) SRG delivering to GCS a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by SRG, for registration; and
 - (2) GCS duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to SRG for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), but subject to the stamping of the Scheme Transfer (if required), SRG must enter, or procure the entry of, the name of GCS in the Share Register in respect of all the Scheme Shares transferred to GCS in accordance with this Scheme.



5 Scheme Consideration

5.1 Provision of Scheme Consideration

GCS must, subject to clauses 5.2, 5.3, 5.5 and 5.7:

- (a) on or before the Implementation Date, issue the Scheme Consideration to the Scheme Shareholders and procure that the name and address of each Scheme Shareholder is entered in the GCS Register in respect of those New GCS Shares; and
- (b) procure that on or before the date that is 10 Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New GCS Shares issued to the Scheme Shareholder pursuant to this Scheme.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) the New GCS Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of SRG, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and
- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of SRG, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.3 Ineligible Foreign Shareholders

- (a) GCS will be under no obligation to issue any New GCS Shares under this Scheme to any Ineligible Foreign Shareholder and instead:
 - (1) subject to clauses 5.5 and 5.7, GCS must, on or before the Implementation Date, issue the New GCS Shares which would otherwise be required to be issued to the Ineligible Foreign Shareholders under this Scheme to the Sale Agent;
 - (2) GCS must procure that as soon as reasonably practicable on or after the Implementation Date, the Sale Agent, in consultation with GCS sells or procures the sale of all the New GCS Shares issued to the Sale Agent and remits to SRG the proceeds of the sale (after deduction of any applicable brokerage, stamp duty and other costs, taxes and charges) (**Proceeds**);
 - (3) promptly after receiving the Proceeds in respect of the sale of all of the New GCS Shares referred to in clause 5.3(a)(1), SRG must pay, or procure the payment, to each Ineligible Foreign Shareholder, of the amount 'A' calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B + C) \times D$$

where

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5 Scheme Consideration

B = the number of New GCS Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which were issued to the Sale Agent instead;

C = the total number of New GCS Shares which would otherwise have been issued to all Ineligible Foreign Shareholders and which were issued to the Sale Agent; and

D = the Proceeds (as defined in clause 5.3(a)(2)) less any applicable currency conversion costs.

- (b) The Ineligible Foreign Shareholders acknowledge that none of GCS, SRG or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New GCS Shares described in clause 5.3(a). The sale of the New GCS Shares under this clause 5.3 will be at the risk of the Ineligible Foreign Shareholder.
- (c) SRG must make, or procure the making of, payments to Ineligible Foreign Shareholders under clause 5.3(a) by either (in the absolute discretion of SRG, and despite any election referred to in clause 5.3(c)(1) or authority referred to in clause 5.3(c)(2) made or given by the Scheme Shareholder):
- (1) if an Ineligible Foreign Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the SRG Registry to receive dividend payments from SRG by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (2) paying or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority from the Ineligible Foreign Shareholder to SRG; or
 - (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) If SRG receives professional advice that any withholding or other tax is required by law or by a Government Agency to be withheld from a payment to an Ineligible Foreign Shareholder, SRG is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.3(a)(3)). SRG must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Foreign Shareholder.
- (e) Each Ineligible Foreign Shareholder appoints SRG as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law.



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5 Scheme Consideration

- (f) Payment of the amount calculated in accordance with clause 5.3(a) to an Ineligible Foreign Shareholder in accordance with this clause 5.3 satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.

5.4 Other ineligible Scheme Shareholders

Where the issue of New GCS Shares to which a Scheme Shareholder (who is not an Ineligible Foreign Shareholder) would otherwise be entitled under this Scheme would result in a breach of law:

- (a) GCS will issue the maximum possible number of New GCS Shares to the Scheme Shareholder without giving rise to such a breach; and
- (b) any further New GCS Shares to which that Scheme Shareholder is entitled, but the issue of which to the Scheme Shareholder would give rise to such a breach, will instead be issued to the Sale Agent and dealt with under the preceding provisions in clause 5.3, as if a reference to Ineligible Foreign Shareholders also included that Scheme Shareholder and references to that person's New GCS Shares in that clause were limited to the New GCS Shares issued to the Sale Agent under this clause.

5.5 Fractional entitlements and splitting

Where the calculation of the number of New GCS Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a New GCS Share, the fractional entitlement will be rounded down to the nearest whole number of New GCS Shares.

5.6 Unclaimed monies

- (a) SRG may cancel a cheque issued under this clause 5 if the cheque:
- (1) is returned to SRG; or
 - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to SRG (or the SRG Registry), SRG must reissue a cheque that was previously cancelled under this clause 5.6.
- (c) The *Unclaimed Money Act 1990 (WA)* will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 6 of the *Unclaimed Money Act 1990 (WA)*).

5.7 Orders of a court or Government Agency

If written notice is given to SRG (or the SRG Registry) or GCS (or the GCS Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by SRG in accordance with this clause 5, then SRG shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or

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- (b) prevents SRG from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, SRG shall be entitled to (as applicable):
- (1) retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration; and/or
 - (2) direct GCS not to issue, or to issue to a trustee or nominee, such number of New GCS Shares as that Scheme Shareholder would otherwise be entitled to under clause 5.1,
- until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

5.8 Status of New GCS Shares

Subject to this Scheme becoming Effective, GCS must:

- (a) issue the New GCS Shares required to be issued by it under this Scheme on terms such that each such New GCS Share will, from the date of its issue, rank equally in all respects with each existing GCS Share;
- (b) ensure that each such New GCS Share is duly and validly issued in accordance with all applicable laws and GCS's constitution, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under GCS's constitution); and
- (c) use all reasonable endeavours to ensure that such New GCS Shares are, from the Business Day following the date this Scheme becomes Effective (or such later date as ASX requires), approved for official quotation on ASX, and that trading in the New GCS Shares on the ASX commences on the Business Day after the Effective Date on a deferred settlement basis, and then on an ordinary settlement basis on and from the Business Day after the Implementation Date.

6 Dealings in SRG Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in SRG Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant SRG Shares before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Share Register is kept,

and SRG must not accept for registration, nor recognise for any purpose (except a transfer to GCS pursuant to this Scheme and any subsequent transfer by GCS or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.



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7 Quotation of SRG Shares

6.2 Register

- (a) SRG must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires SRG to register a transfer that would result in a SRG Shareholder holding a parcel of SRG Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and SRG shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, SRG must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for SRG Shares (other than statements of holding in favour of GCS) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of GCS) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the SRG Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, SRG will ensure that details of the names, Registered Addresses and holdings of SRG Shares for each Scheme Shareholder as shown in the Share Register at the Scheme Record Date are available to GCS in the form GCS reasonably requires.

7 Quotation of SRG Shares

- (a) SRG must apply to ASX to suspend trading on the ASX in SRG Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by GCS, SRG must apply:
 - (1) for termination of the official quotation of SRG Shares on the ASX; and
 - (2) to have itself removed from the official list of the ASX.

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8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) SRG may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which GCS has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which SRG has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (1) agrees to the transfer of their SRG Shares together with all rights and entitlements attaching to those SRG Shares in accordance with this Scheme;
 - (2) agrees to the variation, cancellation or modification of the rights attached to their SRG Shares constituted by or resulting from this Scheme;
 - (3) agrees to, on the direction of GCS, destroy any holding statements or share certificates relating to their SRG Shares;
 - (4) agrees to become a member of GCS and to be bound by the terms of the constitution of GCS;
 - (5) who holds their SRG Shares in a CHES Holding agrees to the conversion of those SRG Shares to an Issuer Sponsored Holding and irrevocably authorises SRG to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion ; and
 - (6) acknowledges and agrees that this Scheme binds SRG and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to SRG and GCS on the Implementation Date, and appointed and authorised SRG as its attorney and agent to warrant to GCS on the Implementation Date, that all their SRG Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their SRG Shares to GCS together with any rights and entitlements attaching to those shares. SRG undertakes that it will be taken to have provided such warranty to GCS as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to



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8 General Scheme provisions

GCS will, at the time of transfer of them to GCS vest in GCS free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5 (excluding clause 5.1(b)), GCS will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by SRG of GCS in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of attorney, agent and sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5 (excluding clause 5.1(b)), and until SRG registers GCS as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed GCS as attorney and agent (and directed GCS in each such capacity) to appoint any director, officer, secretary or agent nominated by GCS as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a)); and
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as GCS reasonably directs;
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), GCS and any director, officer, secretary or agent nominated by GCS under clause 8.4(a) may act in the best interests of GCS as the intended registered holder of the Scheme Shares.

8.5 Authority given to SRG

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints SRG and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against GCS and SRG undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against GCS on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints SRG and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and SRG accepts each such appointment. SRG as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

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9 General

8.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to SRG that are binding or deemed binding between the Scheme Shareholder and SRG relating to SRG or SRG Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on SRG Shares; and
- (c) notices or other communications from SRG (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by GCS in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to GCS and to be a binding instruction, notification or election to, and accepted by, GCS in respect of the New GCS Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to GCS at its registry.

8.7 Binding effect of Scheme

This Scheme binds SRG and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of SRG.

9 General

9.1 Stamp duty

GCS will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to GCS doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, SRG or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to SRG, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at SRG's registered office or at the office of the SRG Registry.



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9 General

- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a SRG Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

- (a) This Scheme is governed by the laws in force in Western Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

SRG must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither SRG, GCS nor any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

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Schedule 1

Definitions and interpretation

1 Definitions

The meanings of the terms used in this Scheme are set out below.

| Term | Meaning |
|------------------|---|
| ASIC | the Australian Securities and Investments Commission. |
| ASX | ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates. |
| Business Day | a day that is not a Saturday, Sunday or public holiday or bank holiday in Perth, Western Australia. |
| CHESS | the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited. |
| CHESS Holding | has the meaning given in the Settlement Rules. |
| Corporations Act | the <i>Corporations Act 2001</i> (Cth). |
| Court | the Federal Court (Western Australia registry), or such other court of competent jurisdiction under the Corporations Act agreed to in writing by GCS and SRG. |
| Deed Poll | the deed poll substantially in the form of Attachment 1 under which GCS covenants in favour of the Scheme Shareholders to perform the obligations attributed to GCS under this Scheme. |
| Effective | when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme. |



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Schedule 1 Definitions and interpretation

| Term | Meaning |
|---------------------------------------|---|
| Effective Date | the date on which this Scheme becomes Effective. |
| End Date | 30 November 2018, or such other date as agreed in writing by GCS and SRG. |
| GCS | Global Construction Services Limited ABN 81 104 662 259 of 2 Redcliffe Road, Redcliffe WA 6104. |
| GCS Register | the register of shareholders maintained by GCS or its agent. |
| GCS Registry | Computershare Investor Services Pty Ltd ACN 078 279 277. |
| GCS Share | a fully paid ordinary share in the capital of GCS. |
| Government Agency | any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. |
| Implementation Date | the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by SRG and GCS. |
| Implementation Deed | the scheme implementation deed dated 11 June 2018 between SRG and GCS relating to the implementation of this Scheme. |
| Ineligible Foreign Shareholder | <p>a Scheme Shareholder whose address shown in the Share Register on the Scheme Record Date is a place outside:</p> <ol style="list-style-type: none"> 1 Australia and its external territories; 2 New Zealand; 3 Hong Kong (either (i) where the applicable SRG Shareholder is a "professional investor" (as defined in the Securities and Futures Ordinance of Hong Kong) or (ii) where the applicable SRG Shareholder is not a "professional investor", the number of such applicable SRG Shareholders who are not "professional investors" does not exceed 50); and 4 the Philippines (where the number of applicable SRG Shareholders does not exceed 20), |

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Schedule 1 Definitions and interpretation

| Term | Meaning |
|---------------------------------|---|
| | unless GCS determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New GCS Shares when this Scheme becomes Effective. |
| Issuer Sponsored Holding | has the meaning given in the Settlement Rules. |
| Marketable Parcel | is a parcel of New GCS Shares having a value of not less than \$500 based on the closing price of fully paid ordinary shares of GCS on the ASX as at the Scheme Record Date. |
| New GCS Share | a fully paid ordinary share in GCS to be issued to Scheme Shareholders under this Scheme. |
| Operating Rules | the official operating rules of ASX. |
| Registered Address | in relation to a SRG Shareholder, the address shown in the Share Register as at the Scheme Record Date. |
| Sale Agent | the nominee appointed by GCS (as contemplated by and in accordance with clause 4.5 of the Implementation Deed) to sell the New GCS Shares that are to be issued under clause 5.3(a)(1) of this Scheme. |
| Scheme | this scheme of arrangement under Part 5.1 of the Corporations Act between SRG and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by SRG and GCS. |
| Scheme Consideration | for each SRG Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of 2.479 New GCS Shares, subject to the terms of this Scheme. |
| Scheme Meeting | the meeting of the SRG Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting. |
| Scheme Record Date | 7.00pm (Sydney time) on the fifth Business Day after the Effective Date. |



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Schedule 1 Definitions and interpretation

| Term | Meaning |
|-------------------------------|--|
| Scheme Shares | all SRG Shares held by the Scheme Shareholders as at the Scheme Record Date. |
| Scheme Shareholder | a holder of SRG Shares recorded in the Share Register as at the Scheme Record Date. |
| Scheme Transfer | a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of GCS as transferee, which may be a master transfer of all or part of the Scheme Shares. |
| Second Court Date | the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard. |
| Settlement Rules | the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd. |
| Share Register | the register of members of SRG maintained by SRG or the SRG Registry in accordance with the Corporations Act. |
| SRG | SRG Limited ABN 57 006 413 574 of Level 1, 338 Barker Road, Subiaco WA 6008. |
| SRG Options | <p>the options to subscribe for SRG Shares as issued by SRG detailed below:</p> <ul style="list-style-type: none"> • 55,000 options granted on 18/02/2015 exercisable at \$0.835 each; • 400,000 options granted on 19/11/14 exercisable at \$0.827 each; • 200,000 options granted on 30/05/16 exercisable at \$0.73 each; • 200,000 options granted on 22/11/17 exercisable at \$1.29 each; and • 165,000 options granted on 22/11/17 exercisable at \$1.40 each, <p>which collectively are capable of being converted into 1,020,000 SRG Shares.</p> |
| SRG Performance Rights | <p>the performance rights as issued by SRG under its incentive plans detailed below:</p> <ul style="list-style-type: none"> • 900,000 performance rights for the period ending 30 June 2018; |

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Schedule 1 Definitions and interpretation

| Term | Meaning |
|------------------------|---|
| | <ul style="list-style-type: none"> • 1,050,000 performance rights for the period ending 30 June 2019; • 750,000 performance rights for the period ending 30 June 2020; • 550,000 performance rights for the period ending 30 June 2021; • 750,000 performance rights vesting 1 July 2019; and • 950,000 performance rights vesting 1 July 2021, which collectively are capable of being converted into 4,950,000 SRG Shares. |
| SRG Registry | Computershare Investor Services Pty Ltd ACN 078 279 277. |
| SRG Share | a fully paid ordinary share in the capital of SRG. |
| SRG Shareholder | each person who is registered as the holder of a SRG Share in the Share Register. |
| Subsidiary | has the meaning given in Division 6 of Part 1.2 of the Corporations Act. |

2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;



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Schedule 1 Definitions and interpretation

- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Perth, Western Australia;
- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1 of this Schedule 1, has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (r) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and
- (s) a reference to the Listing Rules and the Operating Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

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Attachment 1

Deed Poll

[Attached]



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Signing page

Executed as a deed poll

Signed sealed and delivered by
**Global Construction Services
Limited**

by

sign here ▶ 
Company Secretary/Director

print name Nigel Land

sign here ▶ 
Director

print name Vincenzo (Enzo) Gullotti

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ANNEXURE D

NOTICE OF COURT-ORDERED MEETING OF SHAREHOLDERS

SRG Limited ACN 006 413 574 (**SRG**)

Notice is hereby given that, by an order of the Federal Court of Australia made on 20 July 2018, pursuant to subsection 411(1) of the Corporations Act, a meeting of SRG Shareholders will be held at the River Room, Royal Perth Yacht Club Australia II Drive, Crawley, 6009, Western Australia on 22 August 2018, commencing at 10:30am (Perth time).

Purpose of the meeting

The purpose of the meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without amendment or any alterations or conditions required by the Court to which SRG and Global Construction Services Limited agree) proposed to be made between SRG and SRG Shareholders (the **Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

Resolution

The meeting will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution (the **Resolution**):

'That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between SRG Limited and the holders of its ordinary shares, as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Federal Court of Australia to which SRG Limited and Global Construction Services Limited agree.'

Chairman

The Court has directed that Peter McMorrow is to act as chairman of the meeting (and that, if Peter McMorrow is unable or unwilling to attend Michael Atkins is to act as chairman of the meeting) and has directed the chairman to report the result of the Resolution to the Court.

Dated 20 July 2018

By order of the Court and the SRG Board



Roger Lee
Company Secretary

EXPLANATORY NOTES

1. General

This notice of meeting relates to the Scheme and should be read in conjunction with the Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Resolution.

A copy of the Scheme is set out in Annexure C of the Scheme Booklet.

Capitalised terms used but not defined in this notice have the defined meanings set out in Section 15 of the Scheme Booklet, unless the context otherwise requires.

2. Shareholder approval

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Resolution must be agreed to by:

- unless the Court orders otherwise, a majority in number of SRG Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate SRG Shareholders, body corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Resolution (either in person or by proxy, attorney or, in the case of corporate SRG Shareholders, body corporate representative).

3. Court approval

Under paragraph 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or any alteration or condition required by the Court) is subject to the approval of the Court. If the Resolution is agreed to by the requisite majorities and the other Conditions Precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, SRG intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

4. Entitlement to vote

The time for determining eligibility to vote at the Scheme Meeting is 5:00pm (Perth time) on 20 August 2018. Only those SRG Shareholders entered on the Register at that time will be entitled to attend and vote at the meeting, either in person, by proxy or attorney, or in the case of a corporate SRG Shareholder, by a body corporate representative. The remaining comments in these explanatory notes are addressed to SRG Shareholders entitled to attend and vote at the meeting.

5. How to vote

Voting will be conducted by poll.

If you are a SRG Shareholder entitled to vote at the meeting, you may vote by:

- attending and voting in person;
- appointing one or two proxies to attend and vote on your behalf, using the proxy form that accompanied this Scheme Booklet;
- appointing an attorney to attend and vote on your behalf, using a power of attorney; or
- in the case of a body corporate, appointing a body corporate representative to attend the meeting and vote on your behalf, using a certificate of appointment of body corporate representative.

6. Attendance

If you or your proxies, attorneys or representative(s) plan to attend the meeting, please arrive at the venue at least 30 minutes before the scheduled time for commencement of the meeting, so that your shareholding can be checked against the SRG Share Register, any power of attorney or certificate of appointment of body corporate representative verified, and your attendance noted.

7. Jointly held securities

If you hold SRG Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the meeting, only the vote of the holder whose name appears first on the SRG Share Register will be counted.

See also the comments in paragraph 8.2 below regarding the appointment of a proxy by persons who jointly hold SRG Shares.

8. Voting

8.1 Voting in person

To vote in person, you must attend the meeting.

Eligible SRG Shareholders who wish to attend and vote at the meeting in person will be admitted and given a voting card at the point of entry to the meeting, once they have disclosed their name and address.

8.2 Voting by proxy

You may appoint one or two proxies. Your proxy need not be another SRG Shareholder. Each proxy will have the right to vote on the poll and also to speak at the meeting.

To appoint a proxy, you should complete and return the proxy form that accompanied this Scheme Booklet in accordance with the instructions on that form. You must deliver the signed and completed proxy form to the SRG Share Registry by 10:30am (Perth time) on 20 August 2018 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- (a) **online:**
at www.investorvote.com.au
- (b) **by hand delivery to the SRG Share Registry:**
SRG Share Registry at Computershare Investor Services Pty Ltd,
Level 11, 172 St Georges Terrace Perth WA 6000 during business hours
between 9:00am and 5:00pm (Perth time)
- (c) **by mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
- (d) **by fax to the SRG Share Registry on:**
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555
- (e) **for Intermediary Online subscribers only**
(custodians) www.intermediaryonline.com

Proxy forms received after this time will be invalid.

If a proxy form is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been noted by the SRG Share Registry.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the SRG Share Registry before the start of the meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways above.

If you wish to appoint a second proxy write both names and the percentage of votes, or number of securities, for each proxy in accordance with the instructions on the proxy form.

If you appoint two proxies, each proxy should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the proxy forms, each proxy may exercise half of your votes with any fractions of votes disregarded.

If you hold SRG Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the proxy form.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the chairman of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the meeting, the chairman of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The chairman of the meeting intends to vote all valid undirected proxies which nominate the chairman in favour of the Resolution, in the absence of a Superior Proposal.

Proxies of eligible SRG Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting written evidence of their name and address.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the meeting.

8.3 Voting by attorney

You may appoint an attorney to attend and vote at the meeting on your behalf. Your attorney need not be another SRG Shareholder. Each attorney will have the right to vote on the poll and also to speak at the meeting.

The power of attorney appointing your attorney to attend and vote at the meeting must be duly executed by you and specify your name, the company (that is, SRG), and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be lodged at the registration desk on the day of the meeting or with the SRG Share Registry before 10:30am (Perth time) on 20 August 2018 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- online:**
at www.investorvote.com.au
- by hand delivery to the SRG Share Registry:**
SRG Share Registry at Computershare Investor Services Pty Ltd,
Level 11, 172 St Georges Terrace Perth WA 6000 during business hours
between 9:00am and 5:00pm (Perth time)
- by mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
- by fax to the SRG Share Registry on:**
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

Attorneys of eligible SRG Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address, and the name of their appointors.

Your appointment of an attorney does not preclude you from attending in person and voting at the meeting.

8.4 Voting by corporate representative

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that SRG will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained from the SRG Share Registry by calling 1800 783 447 (within Australia) or +61 3 9415 4000 (outside Australia). The certificate of appointment may set out restrictions on the representative's powers.

The certificate should be lodged at the registration desk on the day of the meeting or with the SRG Share Registry before 10:30AM (Perth time) on 22 August 2018 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- (a) **by hand delivery to the SRG Share Registry:**
SRG Share Registry at Computershare Investor Services Pty Ltd,
Level 11, 172 St Georges Terrace Perth WA 6000 during business hours
between 9:00am and 5:00pm (Perth time)
- (b) **by mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
- (c) **by fax to the SRG Share Registry on:**
+61 3 9473 2500

If a certificate is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been noted by the SRG Share Registry.

Body corporate representatives of eligible SRG Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address and the name of their appointors.

9. Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the meeting from SRG's website (<http://www.srglimited.com.au/investor-relations/asx-announcements/2018.html>) or by contacting the Company Secretary of SRG or the SRG Share Registry.

ANNEXURE E

CORPORATE DIRECTORY

DIRECTORS

Mr Peter McMorrow
 Mr David Macgeorge
 Mr Robert Freedman
 Mr Peter Brecht
 Mr Michael Atkins

COMPANY SECRETARY

Mr Roger Lee

INCORPORATION

SRG Limited is incorporated in the State of Victoria

WEBSITE

www.srglimited.com.au

STOCK EXCHANGE LISTING

SRG Limited shares are listed on the Australian Securities Exchange (ASX code: SRG).
 Home exchange is Melbourne.

SRG SHARE REGISTRY

Computershare Registry Services Pty Limited
 Level 11, 172 St Georges Terrace,
 Perth Western Australia 6000

Telephone: 1300 850 505
 Facsimile: (03) 9473 2500

REGISTERED OFFICE

The registered office of the Company is:

Level 1, 338 Barker Road,
 Subiaco Western Australia 6008

Telephone: (08) 9267 5400
 Facsimile: (08) 9267 5499

AUDITORS

William Buck

Level 3, 15 Labouchere Road,
 South Perth Western Australia 6151

BANKERS

National Australia Bank

INDEPENDENT EXPERT

Loneragan Edwards & Associates Limited

Level 7, 64 Castlereagh Street,
 Sydney New South Wales 2000

LEGAL ADVISER

Herbert Smith Freehills
 Level 36, 250 St Georges Terrace,
 Perth Western Australia 6000

SRG SHAREHOLDER INFORMATION LINE

Within Australia: 1300 070 747
 Outside Australia: +61 3 9415 4135

Hours: Monday to Friday between
 9:00am and 5:00pm (Melbourne time)

For personal use only





SRG Limited
ABN 57 006 413 574

SRG

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

Lodge your proxy form:

Online:
www.investorvote.com.au

By Hand:
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth, Western Australia

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 070 747
(outside Australia) +61 3 9415 4135

Proxy Form

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Lodge your proxy form and view the Scheme Booklet online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to lodge your proxy form.

Your access information that you will need to lodge your proxy form:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

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



**For your vote to be effective your proxy form must be received by
10:30am (Perth time) Monday, 20 August 2018**

How to Vote on the Item 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 the 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 the item your vote will be invalid.

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.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO LODGE YOUR PROXY FORM,
or turn over to complete the form →**

This Document is printed on Greenhouse Friendly™ ENVI Laser Carbon Neutral Paper

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

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



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of SRG Limited hereby appoint

the Chairman of the Meeting **OR**

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of SRG Limited to be held in the River Room at the Royal Perth Yacht Club, Australia II Drive, Crawley, Western Australia on Wednesday, 22 August 2018 at 10:30am (Perth time) 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.

Resolution 1 That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between SRG Limited and the holders of its ordinary shares, as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Federal Court of Australia to which SRG Limited and Global Construction Services Limited agree.

For Against Abstain

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business in the absence of a Superior Proposal (as defined in the Scheme Booklet to which this proxy is attached).

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / /

SRG

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Computershare +