

27 September 2019

## Registration of Scheme Booklet with ASIC - Scheme Meeting 6 November 2019

Aveo Group (ASX: AOG, "Aveo") today announced that the Supreme Court of New South Wales has approved the convening of meetings of Aveo Securityholders to vote on the trust scheme and company scheme of arrangement ("Schemes") ("Scheme Meetings") for the proposed acquisition of 100% of the outstanding securities of Aveo by Hydra RL BidCo Pty Ltd ("BidCo") and Hydra RL TopCo Pty Ltd ("TopCo"), entities controlled by Brookfield Asset Management Inc ("Brookfield"), on behalf of its managed funds.

Information relating to the Schemes, including the notice convening the Scheme Meetings and Independent Expert's Report, are included in the attached Scheme Booklet.

The Scheme Booklet was registered by the Australian Securities and Investments Commission ("ASIC") on 27 September 2019 and is attached to this announcement. The Scheme Booklet will be available on the Aveo investor website at <https://www.aveo.com.au/investors/>. Copies of the Scheme Booklet and proxy form will be despatched to Aveo Securityholders (via their elected preference) in due course.

### Independent Expert Report

The Independent Expert, KPMG Financial Advisory Services (Australia) Pty Ltd, has concluded that the Schemes, based on the Cash Consideration, are in the best interests of Aveo Securityholders in the absence of a Superior Proposal. KPMG's conclusion should be read in context with the full Independent Expert's Report and the Scheme Booklet attached to this announcement.

The Independent Expert has assessed the value of an Aveo Security to be between \$2.08 and \$2.39 and has concluded that as the Cash Consideration is within this range, the Schemes are in the best interests of Aveo Securityholders. In assessing the premium implied by the Cash Consideration, the Independent Expert notes that it is not appropriate to compare the Cash Consideration to NTA per Aveo Security since, consistent with industry practice, the Directors' valuations of the assets as reflected on Aveo's balance sheet do not include a large share of divisional expenses, all unallocated corporate expenses and certain group capital expenditure.

In reaching his conclusion, the Independent Expert identified that the Schemes follow an extensive sale process as part of the strategic review that was competitive and public and that, accordingly, it is likely that the Cash Consideration represents the maximum arm's length value that could be realised for Aveo at the present time.

Aveo Securityholders are encouraged to read the Scheme Booklet, including Independent Expert Report, in full.

### Aveo Board Recommendation

Based on the Cash Consideration, the full Aveo Board unanimously recommends that Aveo Securityholders vote in favour of the Schemes in the absence of a Superior Proposal, subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders. The Aveo Board makes no recommendation in relation to the Scrip Consideration, due to the speculative nature of the AOG L.P. Units and the fact that their appropriateness will depend significantly on the characteristics and risk profile of individual securityholders.

Aveo's vision is to be Australia's leading and most innovative seniors living provider. Our mission is to honour and serve our residents through Kindness, Care and Respect. Kindness, Care and Respect are our corporate values.

Aveo is a leading and trusted owner, operator and manager of retirement communities across Australia. Aveo's philosophy is underpinned by a commitment to grow with older Australians by inspiring greater living choices. We currently and proudly do so for 13,000 residents in 94 retirement communities across Australia.

Issued by Aveo Group (ASX:AOG) comprising Aveo Group Limited ABN 28 010 729 950 and Aveo Funds Management Limited ABN 17 089 800 082, AFSL No. 222273 as Responsible Entity for the Aveo Group Trust ARSN 099 648 754.

aveo.com.au

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Subject to these qualifications, the Aveo Board intends to vote any Aveo securities held by them at the time of the Scheme Meeting in favour of the Schemes. Mr. Seng Huang Lee and Mr. Eric Lee, who are nominee directors of Mulpha Group on the Aveo Board, make no representation as to the voting intentions of the Mulpha subsidiaries which hold stapled securities in Aveo, since Mulpha International Bhd is a listed entity on Bursa Malaysia and its Board of Directors will need to consider the Scheme Booklet, in order to make a decision. However, Messrs. Lee and Lee have confirmed to the Aveo Board, in respect of Mulpha's consideration of the Transaction, that they intend to recommend and support a decision that Mulpha vote in favour of the Schemes. As at the date of the Scheme Booklet, Messrs. Lee and Lee have informed the Aveo Board that they have not yet made a decision on whether they will recommend that Mulpha subsidiaries elect to receive Cash Consideration or Scrip Consideration, as they consider it appropriate to discuss this with Mulpha once it has received a copy of the Scheme Booklet.

## Scheme Meetings

The Scheme Meetings will take place at 3.00pm, Sydney time on Wednesday, 6 November 2019 at the Intercontinental Hotel Sydney, 117 Macquarie Street, Sydney NSW 2000. All Aveo Securityholders are encouraged to vote either by attending the Scheme Meetings in person, or by lodging a proxy vote by 3.00pm on Monday, 4 November 2019. Details of how to lodge a proxy vote are included on the proxy form and in the Scheme Booklet.

## Key Dates

The key dates in relation to the Schemes are set out in the Scheme Booklet and are as follows:

Event	Time and date
<b>Aveo Permitted Distribution</b>	30 September 2019
<b>Annual Report lodged with ASX</b>	30 September 2019
<b>Despatch of Scheme Booklet</b>	Early October
<b>Election Time</b> Latest time and date for Eligible Aveo Securityholders to make an election for Scheme Consideration (subject to the Scaleback Arrangements)	25 October 2019 at 5.00pm (Sydney time)
Aveo announces indicative election results in respect of the Scheme Consideration (including, on an indicative basis, whether Scaleback Arrangements will apply)	26 October 2019
Latest time and date for receipt of proxy forms (including proxies lodged online) or powers of attorney by the Aveo Securities Registry for the Scheme Meetings	4 November 2019 at 3.00pm (Sydney time)
Time and date for determining eligibility to vote at the Scheme Meetings	4 November 2019 at 7.00pm (Sydney time)
<b>Trust Scheme Meeting*</b>	6 November 2019 at 3.00pm (Sydney time)
<b>Scheme Meeting*</b>	6 November 2019 at 3.00pm (Sydney time)

\* Dates are indicative and subject to change

If the Schemes are approved by the requisite majorities of Aveo Securityholders at the Scheme Meetings:

Event	Expected date
<b>Second Court Date</b>	13 November 2019 at 9.15am (Sydney time)
<b>Effective Date</b>	14 November 2019
Last day of trading in Aveo Securities on ASX (Aveo Securities will be suspended from trading on ASX from close of trading)	14 November 2019
<b>Scheme Record Date</b> (for determining entitlements to	21 November 2019

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Scheme Consideration)

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**Expected ASX announcement** of final election results, including whether any Scaleback applies 25 November 2019

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**Implementation Date** (Scheme Securityholders will receive the Scheme Consideration on the Implementation Date) 29 November 2019

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### Annual General Meeting

ASIC has granted Aveo an extension of time to hold its Annual General Meeting for Aveo Group for the financial year ended 30 June 2019 ("2019 AGM"). The ASIC extension allows Aveo to hold its 2019 AGM by 31 January 2020 rather than by 30 November 2019.

The extension was sought in order to accommodate the expected timing for Aveo Securityholders' consideration of the Schemes.

Aveo considered that it was not in the best interests of securityholders to incur the considerable expense (including preparation and printing the notice of, and arranging the logistics of 2019 AGM) and management time in circumstances where the 2019 AGM will not need to be held if the Schemes proceed to implementation.

For further information, please contact the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.

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# AVEO

## SCHEME BOOKLET



For a company scheme of arrangement and trust scheme (**Schemes**) between Aveo and its securityholders in relation to the proposed acquisition of Aveo Group Limited (**AGL**) and Aveo Funds Management Limited as responsible entity of the Aveo Group Trust (**Aveo Funds RE**), and together with AGL, **Aveo**) by Hydra RL BidCo Pty Ltd (**BidCo**), an entity controlled by Brookfield Asset Management Inc. (**Brookfield**) on behalf of its managed funds.

The Aveo Directors unanimously recommend that you

## **VOTE IN FAVOUR**

of the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders.

**The Independent Expert has concluded that the Schemes are in the best interests of Aveo Securityholders, in the absence of a Superior Proposal.**

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

The Scheme Meetings will be held at 3.00pm (Sydney time) on 6 November 2019 at the InterContinental Hotel, Sydney at 117 Macquarie Street, Sydney NSW 2000.

Legal Adviser

Financial Adviser

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



HERBERT  
SMITH  
FREEHILLS

**Merrill Lynch**



# 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 Meetings.

## Nature of this Scheme Booklet

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

This Scheme Booklet does not constitute or contain an offer to Aveo Securityholders, or a solicitation of an offer from Aveo Securityholders, 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, Aveo Securityholders 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 Schemes. 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 and the First Judicial Advice

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 or the fact that the Court has given the First Judicial Advice that Aveo Funds RE would be justified in convening the Trust Scheme Meeting does not mean that the Court:

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

## Notices of Scheme Meetings

The Notice of Scheme Meeting and the Notice of the Trust Scheme Meeting, which includes resolutions to approve the Trust Scheme, are set out in Annexure H.

## Notice of Second Court Hearing

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

**Any Aveo Securityholder may appear at the Second Court Hearing, expected to be held at 9.15am (Sydney time) on 13 November 2019 at The Supreme Court of Australia, Law Courts Building, 184Phillip Street Sydney, NSW 2000.**

**Any Aveo Securityholder who wishes to oppose approval of the AGL Scheme or granting of the Second Judicial Advice at the Second Court Hearing may do so by filing with the Court and serving on AGL or Aveo Funds RE a notice of appearance in the prescribed form together with any affidavit that the Aveo Securityholder proposes to rely on.**

## Defined terms

Capitalised terms used in this Scheme Booklet are defined in section 15.1 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 15.1.

## No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and tax situation or particular needs of any Aveo Securityholder 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 Aveo Directors encourage you to seek independent financial and tax advice before making any investment decision and any decision as to whether or not to vote in favour of the Schemes. This Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Schemes. In particular, it is important that you consider the potential risks if the Schemes do not proceed, as set out in section 7.11 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, tax 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 Aveo, AOG L.P., BidCo, TopCo or Brookfield 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 Aveo, AOG L.P., BidCo, TopCo or Brookfield 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 Aveo, AOG L.P., BidCo, TopCo or Brookfield or any of their respective affiliates, 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, Aveo, AOG L.P., BidCo, TopCo, Brookfield 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

Aveo has prepared, and is responsible for, the Aveo Information. Neither Brookfield, BidCo, TopCo or AOG L.P. nor any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

BidCo has prepared, and is responsible for, the BidCo Information. Neither Aveo nor any of its Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

KPMG Financial Advisory Services (Australia) Pty Ltd 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 Aveo, AOG L.P., BidCo, TopCo or Brookfield, 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.

Deloitte has prepared section 12 ('Tax Implications') in relation to the Scheme and takes responsibility for that report. None of Aveo, AOG L.P., TopCo, BidCo or Brookfield or any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in section 12 ('Tax Implications').

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 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 Schemes 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.

A Scheme Securityholder whose address shown in the Aveo Register is a place outside Australia, Bermuda, British Virgin Islands, Malaysia and New Zealand, as at the Scheme Record Date will be an Ineligible Foreign Securityholder unless Aveo and Brookfield agree otherwise in writing.

If you are an Ineligible Foreign Securityholder, you will not receive the Scrip Consideration.

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

### External websites

Unless expressly stated otherwise, the content of the websites of Aveo and Brookfield do not form part of this Scheme Booklet and Aveo Securityholders should not rely on any such content.

### Privacy

Aveo may collect personal information in the process of implementing the Schemes. The type of information that it may collect about you includes your name, contact details and information on your shareholding in Aveo and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meetings 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 Aveo to conduct the Scheme Meetings and implement the Schemes. Without this information, Aveo may be hindered in its ability to issue this Scheme Booklet and implement the Schemes. Personal information of the type described above may be disclosed to the Aveo Securities Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meetings), authorised securities brokers, professional advisers, Related Bodies Corporate of Aveo, Government Agencies, and also where disclosure is otherwise required or allowed by law. Aveo Securityholders 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 Aveo Securities Registry in connection with Aveo Securities, please contact the Aveo Securities Registry. Aveo Securityholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meetings should ensure that they inform such an individual of the matters outlined above. Further information about how Aveo collects, uses and discloses personal information is contained in our privacy policy located at <https://www.aveo.com.au/investors/about-aveo/corporate-governance/>, under the Board Charters and Policies section.

### Date of Scheme Booklet

This Scheme Booklet is dated 27 September 2019.

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# 1. KEY DATES

Event	Time and date
Date of this Scheme Booklet	27 September 2019
First Court Date	9.15am on 27 September 2019
Payment of Aveo Permitted Distribution	on or about 30 September 2019
<b>Election Time</b>	
Latest time and date for Eligible Aveo Securityholders to make an election for Scheme Consideration (subject to the Scaleback Arrangements)	25 October 2019 at 5.00pm (Sydney time)
Aveo announces indicative election results in respect of the Scheme Consideration (including, on an indicative basis, whether Scaleback Arrangements will apply)	26 October 2019
Latest time and date for receipt of proxy forms (including proxies lodged online) or powers of attorney by the Aveo Securities Registry for the Scheme Meeting	4 November 2019 at 3.00pm (Sydney time)
Time and date for determining eligibility to vote at the Scheme Meetings	4 November 2019 at 7.00pm (Sydney time)
Trust Scheme Meeting	6 November 2019 at 3.00pm (Sydney time)
Scheme Meeting	6 November 2019 at 3.00pm (Sydney time)
<i>If the Schemes are approved by the requisite majorities of Aveo Securityholders at the Scheme Meetings:</i>	
Second Court Date	9.15am on 13 November 2019
Effective Date	14 November 2019
Last day of trading in Aveo Securities on ASX (Aveo Securities will be suspended from trading on ASX from close of trading)	14 November 2019
Scheme Record Date (for determining entitlements to Scheme Consideration)	21 November 2019
Expected ASX announcement of final election results, including whether any scaleback applies	25 November 2019
Implementation Date (Scheme Securityholders will receive the Scheme Consideration on the Implementation Date) <sup>1</sup>	29 November 2019

All times and dates in the above timetable are references to the time and date in Sydney, New South Wales, Australia and all such times and dates are subject to change. Aveo may vary any or all of these dates and times. Certain times and dates are conditional on the approval of the Schemes by Aveo Securityholders and by the Court. Any changes will be announced by Aveo to ASX.

1. The Scheme Consideration is subject to rounding for fractional entitlements. Ineligible Foreign Securityholders will not be entitled to receive any AOG L.P. Units and will instead receive the Cash Consideration. See section 7.13 of this Scheme Booklet for further information.



# 2. LETTER FROM THE CHAIRMAN OF THE AVEO INDEPENDENT BOARD COMMITTEE

27 September 2019

Dear Aveo Securityholders

On behalf of the Aveo Directors, I am pleased to provide you with this Scheme Booklet which contains details for your consideration in relation to the proposed acquisition of 100% of the outstanding securities of Aveo by way of a trust scheme and a company scheme of arrangement (together, the **Schemes**) by Hydra RL BidCo Pty Ltd (**BidCo**) and Hydra RL TopCo Pty Ltd (**TopCo**), entities controlled by Brookfield Asset Management Inc (**Brookfield**) on behalf of its managed funds.

Your Directors have conducted an extensive review of the alternatives available to the company to maximise securityholder value. The Schemes are subject to securityholder and Court approvals and certain other conditions as described in section 7.5 of the Scheme Booklet.

## Overview

On 14 August 2019, Aveo announced that it had entered into a Scheme Implementation Deed with BidCo and TopCo, entities controlled by Brookfield on behalf of its managed funds. This followed an extensive strategic review conducted by Aveo which was first announced on 15 August 2018 and was followed by the formation of an Independent Board Committee (**IBC**) on 14 November 2018 to consider and respond to interested parties. The IBC comprised the independent non-executive directors on the Aveo Board, being Mr Walter McDonald (Chairman of the IBC), Mr Jim Frayne, Mr Kelvin Lo and Ms Diana Saw.

Following extensive market testing by Aveo and its advisers, involving detailed financial and operational information on the business and engaging with a large number of global and domestic interested parties, Aveo announced at half year results on 13 February 2019 that a number of indicative, non-binding bids were received in late January 2019 from parties interested in a whole of company transaction. Aveo also advised at the time that residential property market conditions across Australia were continuing to adversely impact the time frame for settlements and as such the company's operational and financial performance. These challenging industry dynamics, including tightening lending standards and availability of credit, continued to persist despite a backdrop of steady employment, declining interest rates and removal of uncertainty associated with a Federal election. The Aveo Directors and management continued to focus on maintaining business as usual operations, including an absolute focus on resident welfare and a commitment to delivering long term securityholder value.

In making its recommendation, the IBC evaluated the bids received against several criteria, including a comparison to the potential disadvantages of the Schemes proceeding and the status quo (having regard to current trading conditions and balance sheet flexibility associated with executing on Aveo's long term business plan) compared to the cash premium available to Aveo Securityholders. Following further extensive due diligence undertaken between May and August 2019 as well as negotiation and binding funding commitments provided by Brookfield Group, the IBC determined that the Brookfield Group's Cash Consideration delivered the highest value and certainty available to Aveo Securityholders relative to other alternatives considered.

No alternative proposal has emerged as at the date of this Scheme Booklet.

## Overview of the Schemes

If the Schemes are approved and implemented, Aveo Securityholders will be entitled to elect to receive the cash consideration of \$2.15 per Aveo Security (**Cash Consideration**) held as at the Scheme Record Date<sup>1</sup>.

The Cash Consideration is in addition to the FY19 annual distribution of 4.5 cents per security (**Aveo Permitted Distribution**) announced on 24 June 2019 and expected to be paid on or about 30 September 2019.

The Cash Consideration under the Schemes together with the Aveo Permitted Distribution is \$2.195 per Aveo Security. This amount is equivalent to:

- an implied equity value of \$1.3 billion and enterprise value of \$2.0 billion<sup>2</sup>;
- a c.28% premium to Aveo's undisturbed closing security price of \$1.71<sup>3</sup>; and
- furthermore, the Cash Consideration represents a significant implied acquisition multiple of approximately 29x EV/FY19A EBITDA<sup>4</sup>.

This should be considered having regard to continued market uncertainty and the longer term nature of Aveo's strategic plan.

1. Unless you make a valid election for the Scrip Consideration.  
2. Implied equity value of \$1.3 billion based on Cash Consideration of \$2.15 per security together with the Aveo Permitted Distribution of 4.5 cents per security multiplied by current securities on issue of 580.7 million. Implied enterprise value includes Aveo net debt of \$0.7 billion as at 30 June 2019.  
3. 12 February 2019 being the last undisturbed closing security price prior to Aveo updating the market on 13 February 2019 that it had received a number of indicative non-binding bids from parties interested in a whole of company transaction as part of its strategic review.  
4. Assumes 580.7 million Securities on a fully diluted basis with adjusted net debt as at 30 June 2019 of \$0.8 billion to reflect payments of (1) Aveo Permitted Distribution of ~\$26 million (2) cash settled Aveo Incentives of ~\$6 million and on Aveo underlying EBITDA of \$71.1 million for the 12 months ended 30 June 2019.

Your Directors unanimously recommend that you **vote in favour of the Schemes** on the basis of the **Cash Consideration** in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders. The Independent Expert has not formed an opinion on whether the Schemes are fair based on the Scrip Consideration. If the Independent Expert had assessed the fairness of the Schemes based solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair.

The Schemes can only proceed if, among other conditions, the requisite majorities of Aveo Securityholders approve them. In relation to the AGL Scheme, this requires more than 50% of Aveo Securityholders voting and at least 75% of votes cast at the meeting to be in favour of the AGL Scheme. The Schemes also require court approval.

As an alternative to the Cash Consideration, Eligible Aveo Securityholders may elect to receive the Scrip Consideration with respect to all of their Aveo Securities. This conditional Scrip Consideration provides Eligible Aveo Securityholders with the potential to participate in a foreign unlisted "stub equity" vehicle which would give them future exposure to Aveo.

Subject to the minimum election condition described below being satisfied, Eligible Aveo Securityholders who elect the Scrip Consideration will be entitled to receive units in AOG L.P. (**AOG L.P. Units**), a Bermuda exempted Limited Partnership which will hold Class B securities in an Australian holding company, TopCo, the holding company of BidCo. The Scrip Consideration will only be available if there are scrip elections from holders of more than 10% of Aveo Securities (**Minimum Scrip Consideration Threshold**). Scrip elections will be accepted in respect of up to 30% of TopCo securities. If scrip elections are received in respect of more than 30% of TopCo securities, the Scaleback Arrangements will apply such that Brookfield Group will hold an equity interest in Aveo on implementation of the Schemes of no less than 70%.

Aveo will announce the results of the Election process to ASX, including whether the Minimum Scrip Consideration Threshold has been met and, if so, whether the Scaleback Arrangements apply. An initial, indicative announcement is currently expected to be made on 26 October 2019. A subsequent announcement, confirming the results of the Election process and whether the Scaleback Arrangements apply, is currently expected to be made on 25 November 2019.

Further details of the Scrip Consideration including the TopCo Shareholders' Deed and the AOG L.P. Partnership Agreement are set out in section 10 of the Scheme Booklet.

## Risks of electing the Scrip Consideration

You should form your own view as to whether you wish to make an election to receive the Scrip Consideration based on your individual circumstances, financial situation, tax position, investment objectives and risk profile. You should also consult your legal, financial, tax or other professional adviser before making any election to receive either the Scrip Consideration or Cash Consideration.

It is important to understand that the value of the Scrip Consideration is less certain than the Cash Consideration and that any investment in AOG L.P. following implementation of the Schemes would represent a fundamentally different investment than your current investment in Aveo as an ASX-listed company.

**The Aveo Board notes that there are significant risks involved in an investment in the foreign unlisted AOG L.P. which is very different from holding the securities you currently have in Aveo as an ASX-listed company. Please see section 11.4 for more information in relation to the risks associated with an investment in AOG L.P.**

Eligible Aveo Securityholders who are considering making an Election for Scrip Consideration for their Scheme Securities should:

- take into account that the Independent Expert's conclusion, that the Schemes are in the best interests of Aveo Securityholders, is based on the Cash Consideration and the Independent Expert has not formed an opinion on whether the Schemes are fair based on the Scrip Consideration. If the Independent Expert had assessed the fairness of the Schemes based solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair;
- take into account that, if valid elections are made by Aveo Securityholders for the Scrip Consideration such that AOG L.P. will hold more than 30% of TopCo securities, the Scrip Consideration to be received by Aveo Securityholders will be scaled back and they will receive the balance as a Cash Consideration. See section 7.4(b) for more details;

## 2. LETTER FROM THE CHAIRMAN OF THE AVEO INDEPENDENT BOARD COMMITTEE

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- take into account that AOG L.P. Units would be subject to the rights and restrictions under the AOG L.P. Partnership Agreement as described in section 10 of this Scheme Booklet, including:
  - significant restrictions on their ability to sell or otherwise realise their AOG L.P. Units;
  - the risk of compulsory transfer of their AOG L.P. Units where the holder becomes insolvent, undergoes a change of control or materially breaches the Shareholders' Deed or any anti-bribery, corruption or anti-money laundering laws;
  - that they will be subject to a restraint from certain activities which may compete with TopCo Group while they hold AOG L.P. Units and for a period of 3 years after they cease to hold AOG L.P. Units; and
  - a lack of Australian law protections which currently apply to their Aveo Securities including the continuous disclosure regime, ASX listing rules and the Australian takeovers rules
- carefully consider the risks set out in section 11.4 of this Scheme Booklet, including:
  - that a different regulatory regime will apply to AOG L.P. Units than presently applies to Aveo Securities, including risk to their limited liability status if they take part in the management of the AOG L.P.;
  - Brookfield controls the timing and manner of an Exit. Brookfield may require an Exit at a time or on terms which do not suit AOG L.P. Limited Partners, or not pursue an Exit at a time or on terms which an AOG L.P. Limited Partner would prefer;
  - AOG L.P. Limited Partners will receive significantly less information and reports than they are currently provided with;
  - lack of liquidity, with limited opportunities to sell their AOG L.P. Units;
  - the risks which are inherent in minority shareholdings;
  - the declaration and payment of dividends in TopCo will be at the sole discretion of the TopCo Board;
  - the AOG L.P. Units constitute an indirect holding in TopCo (and Aveo) and AOG L.P. Limited Partners are therefore only able to enforce rights against the AOG L.P. General Partner; and
  - risk of an increased leveraged position of the TopCo Group, as a result of BidCo's funding of the Cash Consideration through BidCo's commitments under the Scheme Debt Facilities;
- carefully consider the tax implications set out in section 12;
- take into account the Independent Expert's Report and its views expressed in relation to Scrip Consideration and the AOG L.P. B1 Units set out in Annexure A of this Scheme Booklet, noting that, in the absence of an Exit or other liquidity event, the realisable value of the AOG L.P. Units is expected to incorporate a substantial minority and marketability discount and, while no conclusion has been made in relation to the Scrip Consideration, if the Independent Expert had assessed the fairness of the Schemes based solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair; and
- consult their legal, financial, tax or other professional advisers about whether an investment in AOG L.P. meets their individual investment objectives.

In particular, please refer to section 10 which sets out a summary of the TopCo Shareholders' Deed and the rights attaching to AOG L.P. Units and section 12 ('Tax Implications').

### Independent Expert's conclusion

The Aveo Board engaged KPMG Financial Advisory Services (Australia) Pty Ltd (**Independent Expert**) to prepare an Independent Expert's Report in relation to the Schemes. The Independent Expert has assessed the value of an Aveo Security to be between \$2.08 and \$2.39 and has concluded that as the Cash Consideration is within this range, the Schemes are in the best interests of Aveo Securityholders, in the absence of a Superior Proposal. In assessing the premium implied by the Cash Consideration, the Independent Expert notes that it is not appropriate to compare the Cash Consideration to NTA per Aveo Security since, consistent with industry practice, the Directors' valuations of the assets as reflected on Aveo's balance sheet do not include a large share of divisional expenses, all unallocated corporate expenses and certain group capital expenditure which are required to operate a portfolio of retirement assets.

Furthermore, in assessing the fairness and reasonableness of the Schemes, the Independent Expert identified that the Schemes followed an extensive sale process as part of the strategic review that was competitive and public and that the Cash Consideration represents the maximum arm's length value that could be realised for Aveo at the present time.

The Independent Expert's Report is included in Annexure A of this Scheme Booklet and you are strongly encouraged to read it thoroughly.

## Directors' recommendation and voting intentions

The Aveo Directors and the IBC have carefully considered the advantages and disadvantages of the Schemes and based on the Cash Consideration, the full Aveo Board unanimously recommends that Aveo securityholders **vote in favour** of the Schemes in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders.

The Aveo Board makes no recommendation in relation to the Scrip Consideration due to the speculative nature of the AOG L.P. Units and the fact that their appropriateness will depend significantly on the characteristics and risk profile of individual securityholders.

Aveo's FY19 results announced on 28 August 2019, demonstrated the adverse impact of the subdued Australian residential property market which impacts the timing of prospective residents seeking to settle on their existing properties and move into seniors living accommodation. Challenging trading conditions and an accumulation in company owned stock has reduced in Aveo's balance sheet flexibility available to pursue growth and future developments. Aveo's debt facilities were 99.9% drawn at 30 June 2019. Whilst Aveo was in compliance with all financial covenants for FY19, Aveo's ability to comply with its debt covenants and refinance its bank facilities when they fall due is predicated on meeting its internal budget projections. Additionally, Aveo might in future require additional debt or equity capital in order to fund growth strategies, and there is a risk that Aveo may not be able to access any such funding from capital markets on favourable terms, or at all. In light of Aveo's short-to-medium term outlook, the Aveo Directors consider that the Cash Consideration provides the opportunity for Aveo Securityholders to realise a certain and immediate outcome that is in the best interests of Aveo Securityholders, relative to other alternatives considered. The IBC does not anticipate an alternative proposal to be made.

The reasons to vote in favour of the Schemes are set out in detail in section 5.1 of this Scheme Booklet. There are also reasons why you may choose to vote against the Schemes which are set out in section 5.2 of this Scheme Booklet.

As at the date of this Scheme Booklet, the Aveo Directors hold in aggregate approximately 0.3% of all Aveo Securities on issue and each Aveo Director intends to vote any Aveo Securities held by them at the time of the Scheme Meetings in favour of the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders.

Mr Geoff Grady (Aveo's Chief Executive Officer and Executive Director) will, if the Schemes are implemented, become entitled to 2,115,634 Aveo Securities in respect of his incentive arrangements under the terms of the Aveo Employee Share Scheme, as described in section 14.2, consisting of 155,144 short term incentive deferred securities, 460,490 performance rights and 1,500,000 Aveo Securities converting from growth rights issued under the long term incentive plan, which if the Schemes become Effective, will be subject to the treatment described in Section 14.2. Mr Grady also holds 1,843,198 existing Aveo Securities. If the Schemes become Effective, Mr Grady will receive \$2.15 for each Aveo Security he holds at the Scheme Record Date (including the Aveo Securities mentioned above granted to Mr Grady under the terms of the Aveo Employee Share Scheme). Aveo Securityholders should have regard to these arrangements when considering Mr Grady's recommendation on the Schemes, which appear throughout this Scheme Booklet. Given the importance of the Schemes and Mr Grady's role in the management of Aveo, Mr Grady considers that it is appropriate for him to make a recommendation on the Schemes. The Aveo Board has determined that Mr Grady can, and should if he wishes to do so, make a recommendation, independent of the IBC's deliberations, on the Schemes notwithstanding the nature and quantum of the benefits (being the benefits described in section 14.2) Mr Grady will receive if the Schemes become Effective.

If the Schemes do not proceed, Aveo will continue as an entity listed on ASX and Aveo Securityholders will not receive the Scheme Consideration. Furthermore, if the Schemes do not proceed and no Superior Proposal emerges, the Aveo Directors currently anticipate that the market price of Aveo securities on ASX may fall below current trading levels, all other things remaining equal.

### Intention of Mulpha Group

Mr Seng Huang Lee and Mr Eric Lee, who are nominee directors of Mulpha Group on the Aveo Board, make no representation as to the voting intentions of the Mulpha subsidiaries which hold stapled securities in Aveo, since Mulpha International Bhd is a listed entity on Bursa Malaysia and its Board of Directors will need to consider the Scheme Booklet, in order to make a decision. However, Messrs Lee and Lee have confirmed to the Aveo Board, in respect of Mulpha's consideration of the Transaction, that they intend to recommend and support a decision that Mulpha vote in favour of the Schemes. As at the date of this Scheme Booklet, Messrs. Lee and Lee have informed the Aveo Board that they have not yet made a decision on whether they will recommend that Mulpha subsidiaries elect to receive Cash Consideration or Scrip Consideration, as they consider it appropriate to discuss this with Mulpha once it has received a copy of the Scheme Booklet. Should Mulpha inform Aveo of its voting or consideration election intentions, Aveo will update the market by an announcement on ASX.

## 2. LETTER FROM THE CHAIRMAN OF THE AVEO INDEPENDENT BOARD COMMITTEE

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### How to vote

The Schemes can only be implemented if they are approved by the requisite majorities of Aveo Securityholders, and if they are subsequently approved by the Court at the Second Court Hearing currently scheduled for 9.15am on 13 November 2019. The Schemes are also subject to a number of Conditions Precedent as described in section 7.5 of this Scheme Booklet.

This approval of the Resolutions will be sought at the Scheme Meetings of Aveo Securityholders that are scheduled to be held at the InterContinental Hotel, Sydney at 117 Macquarie Street, Sydney, NSW 2000 on 6 November 2019 at 3.00pm (Sydney time). Your vote, as an Aveo Securityholder, is important and I encourage you to submit your vote on this significant transaction.

You may vote by attending the Scheme Meetings, or by appointing a proxy, attorney or body corporate representative to attend the Scheme Meetings and vote on your behalf. If you do not wish to or are unable to attend the Scheme Meetings in person, I encourage you to vote by completing the enclosed personalised proxy form and returning it so that it is received no later than 3.00pm (Sydney time) on 4 November 2019.

Further information in relation to the Schemes is contained in this Scheme Booklet. I encourage you to read it in its entirety as it contains important information that will need to be considered before you vote on the Resolutions. You should also consult your legal, financial, tax or other professional adviser before making any investment decision in relation to your Aveo Securities.

### Further information

If you have any questions about the Schemes or any other matter in this Scheme Booklet, you should contact the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday or consult your legal, financial, tax or other professional adviser.

On behalf of the Aveo Board, I would like to take this opportunity to thank you again for your continued support of Aveo. I look forward to your participation at the Scheme Meetings.

Yours sincerely,



**Walter McDonald**  
*Chairman of Independent Board Committee*  
Aveo Group Limited



# 3. OVERVIEW OF THE TRANSACTION

## 3.1 What is the Transaction?

- The Transaction is a proposal from BidCo, an entity controlled by Brookfield on behalf of its managed funds, to acquire 100% of the Aveo Securities by way of the Schemes.
- There are two Schemes, because Aveo Securities comprise an AGL Share stapled to an Aveo Group Trust Unit, requiring the Transaction to be implemented by the following two interdependent Schemes:
  - the **AGL Scheme** is the scheme of arrangement between AGL and the Scheme Securityholders (as AGL Shareholders) for the transfer of all of the AGL Shares to BidCo; and
  - the **Trust Scheme** is a scheme of arrangement under which all of the Aveo Group Trust Units will be transferred to BidCo, facilitated by an amendment to the Aveo Group Trust Constitution as set out in the Aveo Group Trust Supplemental Deed Poll.
- If the Schemes are implemented:
  - BidCo will acquire all of the Aveo Securities; and
  - the Scheme Securityholders will be entitled to receive the Scheme Consideration from BidCo, being either:
    - the Cash Consideration: \$2.15 for each Aveo Security held by an Aveo Securityholder as at the Scheme Record Date; or
    - if they make an Election to receive the Scrip Consideration: 2.15 AOG L.P. Units for each Aveo Security they hold as at the Scheme Record Date.
- Scheme Securityholders may only elect to receive the Cash Consideration or the Scrip Consideration in respect of all their Aveo Securities held on the Scheme Record Date.
- Any Election for the Scrip Consideration may be subject to the Scaleback Arrangements described in section 7.4(b) of this Scheme Booklet.

## 3.2 What is the recommendation of Aveo Directors?

This table sets out the Aveo Board's recommendation in respect of each of these matters.

<b>Voting in favour of the Resolutions</b>	Based on the Cash Consideration, the Aveo Directors unanimously recommend that Aveo Securityholders vote in favour of the Schemes at the Scheme Meetings to be held on 6 November 2019 at 3.00pm (Sydney time), in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of the Aveo Securityholders.
<b>Electing the Cash Consideration</b>	The Aveo Directors' recommendation that you vote in favour of the Resolutions is based on the Cash Consideration.
<b>Electing the Scrip Consideration</b>	<p><b>The Aveo Directors make no recommendation in relation to the Scrip Consideration, due to the speculative nature of the AOG L.P. Units and that whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor.</b></p> <p><b>The Aveo Board notes that there are significant risks involved in an investment in the foreign unlisted AOG L.P. which is very different from holding the securities you currently have in Aveo as an ASX-listed company. Please see section 14.1 for more information in relation to the risks associated with an investment in AOG L.P.</b></p> <p>Eligible Aveo Securityholders who are considering making an Election for Scrip Consideration for their Scheme Securities should:</p> <ul style="list-style-type: none"><li>• take into account that the Independent Expert's conclusion, that the Schemes are in the best interests of Aveo Securityholders, is based on the Cash Consideration and the Independent Expert has not formed an opinion on whether the Schemes are fair based on the Scrip Consideration. If the Independent Expert had assessed the fairness of the Schemes based solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair;</li><li>• take into account that, if the Maximum Scrip Threshold is reached, the Scrip Consideration to be received by Aveo Securityholders will be scaled back and they will receive the balance as a Cash Consideration. See section 7.4(b) for further details;</li><li>• take into account that AOG L.P. Units would be subject to the rights and restrictions under the AOG L.P. Partnership Agreement as described in section 10 of this Scheme Booklet, including:<ul style="list-style-type: none"><li>- significant restrictions on their ability to sell or otherwise realise their AOG L.P. Units;</li><li>- the risk of compulsory transfer of their AOG L.P. Units where the holder becomes insolvent, undergoes a change of control or materially breaches the Shareholders' Deed or any anti-bribery, corruption or anti-money laundering laws;</li></ul></li></ul>

# 3. OVERVIEW OF THE TRANSACTION

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### Electing the Scrip Consideration

- that they will be subject to a restraint from certain activities which may compete with TopCo Group while they hold AOG L.P. Units and for a period of 3 years after they cease to hold AOG L.P. Units; and
- a lack of Australian law protections which currently apply to their Aveo Securities including the continuous disclosure regime, ASX listing rules and the Australian takeovers rules;
- carefully consider the risks set out in section 11.4 of this Scheme Booklet, including:
  - that a different regulatory regime will apply to AOG L.P. Units than presently applies to Aveo Securities, including risk to their limited liability status if they take part in the management of the AOG L.P.;
  - Brookfield controls the timing and manner of an Exit. Brookfield may require an Exit at a time or on terms which do not suit AOG L.P. Limited Partners, or not pursue an Exit at a time or on terms which an AOG L.P. Limited Partner would prefer;
  - AOG L.P. Limited Partners will receive significantly less information and reports than they are currently provided with;
  - lack of liquidity, with limited opportunities to sell their AOG L.P. Units;
  - the risks which are inherent in minority shareholdings;
  - the declaration and payment of dividends in TopCo will be at the sole discretion of the TopCo Board;
  - the AOG L.P. Units constitute an indirect holding in TopCo (and Aveo) and AOG L.P. Limited Partners are therefore only able to enforce rights against the AOG L.P. General Partner; and
  - risk of an increased leveraged position of the TopCo Group, as a result of BidCo's funding of the Cash Consideration through BidCo's commitments under the Scheme Debt Facilities;
- carefully consider the tax implications set out in section 12;
- take into account the Independent Expert's Report and its views expressed in relation to the AOG L.P. B1 Units set out in Annexure A of this Scheme Booklet, noting that, in the absence of an Exit or other liquidity event, the realisable value of the AOG L.P. Units is expected to incorporate a substantial minority and marketability discount and, while no conclusion has been made in relation to the Scrip Consideration, if the Independent Expert had assessed the fairness of the Schemes based solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair; and
- consult their legal, financial, tax or other professional advisers about whether an investment in AOG L.P. meets their individual investment objectives.

Mr Geoff Grady (Aveo's Chief Executive Officer and Executive Director) will, if the Schemes are implemented, become entitled to 2,115,634 Aveo Securities in respect of his incentive arrangements under the terms of the Aveo Employee Share Scheme, as described in section 14.2, consisting of 155,144 short term incentive deferred securities, 460,490 Aveo performance rights and 1,500,000 Aveo Securities converting from growth rights issued under the long term incentive plan, which if the Schemes become Effective, will be subject to the treatment described in section 14.2. Mr Grady also holds 1,843,198 existing Aveo Securities. If the Schemes become Effective, Mr Grady will receive \$2.15 for each Aveo Security he holds at the Scheme Record Date (including the Aveo Securities mentioned above granted to Mr Grady under the terms of the Aveo Employee Share Scheme). Aveo Securityholders should have regard to these arrangements when considering Mr Grady's recommendation on the Schemes, which appear throughout this Scheme Booklet. Given the importance of the Schemes and Mr Grady's role in the management of Aveo, Mr Grady considers that it is appropriate for him to make a recommendation on the Schemes. The Aveo Board has determined that Mr Grady can, and should if he wishes to do so, make a recommendation, independent of the IBC's deliberations, on the Schemes notwithstanding the nature and quantum of the benefits (being the benefits described in section 14.2) Mr Grady will receive if the Schemes become Effective.

In considering whether to vote in favour of the Schemes, the Aveo Directors encourage you to:

- carefully read all of this Scheme Booklet (including the Independent Expert's Report);
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain advice from your legal, financial, tax or other professional advisers on the effect of the Schemes becoming Effective.

Each Aveo Director's Relevant Interest is disclosed in section 13.1 of this Scheme Booklet.

### 3.3 What is the conclusion of the Independent Expert?

The Independent Expert has concluded that the Schemes are in the best interests of, the Aveo Securityholders, in the absence of a Superior Proposal.

- The Independent Expert has valued an Aveo Security to be in the range of \$2.08 to \$2.39 on a controlling interest basis.
- The Cash Consideration of \$2.15 is within the valuation range of the Independent Expert and represents a substantial premium to the undisturbed trading prices of Aveo Securities up until 12 February 2019 when calculated over a one month and three month period.
- The Independent Expert has not made a conclusion in relation to the Scrip Consideration on the basis that the Cash Consideration is the default option. If the Independent Expert had assessed the fairness of the Scheme solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair to Aveo Securityholders.
- The Independent Expert concluded that it was not possible to reliably determine the value of AOG L.P. Units and observed that, in the absence of an Exit or other liquidity event, the value of each AOG L.P. Unit would be expected to incorporate a substantial minority and marketability discount.

### 3.4 Summary of reasons why you may want to vote in favour of or against the Schemes

#### a. What are the reasons you may want to vote in favour of the Schemes by voting in favour of the Resolutions?

1. The Aveo Directors unanimously recommend that you vote in favour of the Schemes, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders.
2. Nominee directors of Mulpha Group intend to recommend and support a decision that Mulpha vote in favour of the Schemes in respect of all the Aveo Securities it holds.
3. The Independent Expert has concluded that the Schemes are in the best interests of Aveo Securityholders, in the absence of a Superior Proposal.
4. No Superior Proposal has emerged as at the date of this Scheme Booklet despite Aveo having undertaken an extensive process over 12 months to maximise securityholder value and evaluate numerous alternatives and proposals.
5. The Cash Consideration under the Schemes represents a significant premium to the undisturbed trading price of Aveo Securities.
6. The Cash Consideration under the Schemes represents a significant acquisition multiple.
7. The Cash Consideration provides Aveo Securityholders with immediate, certain value with no associated brokerage costs.
8. If the Schemes do not proceed, and no Superior Proposal emerges, the price of Aveo Securities may fall and Aveo may require a significant amount of capital in the near term.
9. The Scrip Consideration provides the flexibility for Aveo Securityholders who wish to maintain an indirect interest in Aveo, by holding AOG L.P. Units, to do so, having regard to the risks involved.

The reasons you may want to vote in favour of the Schemes are discussed in more detail in section 5.1 of this Scheme Booklet.

#### b. What are reasons you may want to vote against the Schemes?

1. You may disagree with the Aveo Board's unanimous recommendation or with the Independent Expert's conclusion.
2. You may believe that there is potential for a Superior Proposal to be made in the foreseeable future.
3. You may wish to maintain your direct investment in Aveo as an independent ASX-listed company.
4. The tax consequences of the Schemes may not suit your current financial circumstances.

The reasons you may want to vote against the Schemes are discussed in more detail in section 5.2 of this Scheme Booklet.

# 4. WHAT SHOULD YOU DO IN RELATION TO THE SCHEMES?

## 4.1 Step 1: Read this Scheme Booklet in its entirety

- This Scheme Booklet contains information that is material to your decision whether or not to approve the Schemes by voting in favour of the Resolutions. Accordingly, you should read this Scheme Booklet in its entirety before making a decision on how to vote on the Resolutions.
- You should also consult your legal, financial, tax or other professional adviser in relation to voting in relation to the Schemes and making an Election for the Scrip Consideration. Answers to some common questions are contained in section 6 of this Scheme Booklet titled 'Frequently asked questions'.
- If you have any questions, please contact the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.

## 4.2 Step 2: Vote on the Schemes

### YOUR VOTE IS IMPORTANT

- If you are an Aveo Securityholder on 4 November 2019 at 7.00pm, you are entitled to vote on the Schemes at the Scheme Meetings. The Scheme Meetings will comprise of the Trust Scheme Meeting to vote on the Trust Scheme Resolutions and the Scheme Meeting to vote on the Scheme Resolution.
- AGL and Aveo Funds RE have determined that the Trust Scheme Meeting and the Scheme Meeting will be conducted concurrently in all respects (on Wednesday, 6 November 2019). As a practical matter from an administrative and attendee point of view, the conduct of the meetings will be as if it were one single meeting.
- The Resolutions (which comprise of the Trust Scheme Resolutions and the Scheme Resolution) must be all passed by the requisite majorities of the Aveo Securityholders for the Schemes to proceed. If the Resolutions are passed at the Scheme Meetings, Aveo will make an application to the Court to approve the AGL Scheme and give the Second Judicial Advice at the Second Court Hearing.

### Trust Scheme Meeting

- The Trust Scheme Resolutions seek Aveo Securityholders' approval (in their capacity as Trust Unitholders) of the Trust Scheme. The Trust Scheme Resolutions are conditional on the Scheme Resolution being approved.

### Scheme Meeting

- The Scheme Meeting will only consider the Scheme Resolution, which seeks Aveo Securityholders' approval (in their capacity as the AGL Shareholders) of the AGL Scheme. The Scheme Resolution is conditional upon the Trust Scheme Resolution being approved.

Please see section 7.6 of the Scheme Booklet for further details on the Resolutions.

### HOW TO VOTE

Proxy Forms and powers of attorney must be lodged by 3.00pm (Sydney time) on 4 November 2019.

- As an Aveo Securityholder, it is your right to vote on whether the Schemes proceed. Your vote is important and you are strongly encouraged to vote on the Resolutions. An Aveo Securityholder can vote by doing one of the following:

1. **voting in person** – by attending the Scheme Meetings;
2. **voting by proxy** – by completing and returning to the Aveo Securities Registry the enclosed Proxy Forms for the Scheme Meetings, which must be received by the Aveo Securities Registry at:

#### Mailing Address

Computershare Investor Services Pty Limited  
GPO Box 1282  
Melbourne Victoria 3001  
Australia

#### Hand Delivery

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
Australia

so that it is received by no later than 3.00pm (Sydney time) on 4 November 2019.

#### Fax Number

1800 783 447 (within Australia), or +61 3 9473 2555 (outside Australia).

Alternatively, you can lodge your proxy online at [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions on the proxy form;

- 
3. **voting by attorney** – by providing the Aveo Securities Registry the original (or certified copy) of the instrument appointing an attorney by no later than 3.00pm (Sydney time) on 4 November 2019 (unless a copy has already been provided to the Aveo Securities Registry); or
  4. **voting by corporate representative** – (in the case of a body corporate) by appointing a corporate representative to act as its representative. The appointment must comply with section 250D of the Corporations Act. A corporate Aveo Securityholder or corporate proxy should obtain a “Certificate of Appointment of Corporate Representative” form from the Aveo Securities Registry, and complete and sign the form in accordance with the instructions on it. The corporate representative must attend the Scheme Meetings in person.
- Please refer to the voting instructions in Annexure H of this Scheme Booklet where these voting options are set out in full.

### 4.3 Step 3: Decide whether you wish to Elect the Cash Consideration or the Scrip Consideration

**NOTE: IF YOU DO NOT MAKE AN ELECTION FOR SCRIP CONSIDERATION, YOU WILL BE DEEMED TO HAVE ELECTED THE CASH CONSIDERATION FOR ALL OF YOUR AVEO SECURITIES HELD ON THE SCHEME RECORD DATE**

- The default Scheme Consideration is the Cash Consideration if an Aveo Securityholder does not make an Election before the Election Time, being 25 October 2019 at 5.00pm.
- You can request an Election Form by contacting the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.
- Please do not make an Election for the Scrip Consideration without carefully reading sections 9 (‘Information about Brookfield, BidCo, HoldCo, TopCo and AOG L.P.’), 11.4 (‘Specific risks relating to the AOG L.P. Units’), 11.5 (‘General risks relating to the Schemes’), 12 (‘Tax Implications’) and the Independent Expert’s Report in Annexure A. You should also obtain appropriate legal, financial, tax or other professional advice before electing to receive the Scrip Consideration.
- If you wish to submit an Election Form, please complete the Election Form and return it in the manner indicated on the form, so that it is received by the Aveo Securities Registry no later than the Election Time (being 25 October 2019 at 5.00pm).
- You may only elect to receive Cash Consideration or Scrip Consideration in respect of **all** of your Aveo Securities held on the Scheme Record Date.
- Any Election for the Scrip Consideration may be subject to the Scaleback Arrangements described in section 7.4(b) of this Scheme Booklet.
- Ineligible Foreign Securityholders will not receive the Scrip Consideration even if they make an Election for the Scrip Consideration. Any Election Forms received by the Aveo Securities Registry from an Ineligible Foreign Securityholder in respect of the Scrip Consideration will be invalid and the Ineligible Foreign Securityholder will receive the Cash Consideration in respect of all of its Aveo Securities, unless Aveo and BidCo agree otherwise in writing.
- If you are unsure if you are eligible to elect the Scrip Consideration, you can contact the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 3 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday to enquire as to whether you may be an Eligible Aveo Securityholder.
- **An Aveo Securityholder who makes an invalid Scrip Consideration Election or makes an Election after the Election Time, will, if the Schemes become Effective, receive the Cash Consideration in respect of all of their Aveo Securities held on the Scheme Record Date.**
- Once made, you may vary, withdraw or revoke your Election by lodging a replacement Election Form so that it is received by the Aveo Securities Registry by no later than the Election Time (being 25 October 2019 at 5.00pm). The last valid Election Form received by the Aveo Securities Registry before the Election Time will be used to determine your Election and will apply to all Aveo Securities which you hold on the Scheme Record Date.
- If you elect to receive the Scrip Consideration, a certificate or confirmation document will be issued to you no later than 5 Business Days after the Implementation Date to your Registered Address.
- You should read this Scheme Booklet in full before electing the Scrip Consideration. In particular, you should carefully read sections 9 (‘Information about Brookfield, BidCo, HoldCo, TopCo and AOG L.P.’), 11.4 (‘Specific risks relating to the AOG L.P. Units’), 11.5 (‘General risks relating to the Schemes’), 12 (‘Tax Implications’) and the Independent Expert’s Report in Annexure A. You should also obtain appropriate legal, financial, tax or other professional advice before electing the Scrip Consideration.



# 5. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

## 5.1 Reasons why you may want to vote in favour of the Schemes

This section 5.1 sets out the reasons why the Aveo Directors recommend that you approve the Schemes by voting in favour of the Resolutions. This section 5.1 should be read in conjunction with the 'Reasons you may want to vote against the Schemes' set out in section 5.2 of this Scheme Booklet, and the 'Other Considerations' set out in section 5.4 of this Scheme Booklet.

a. **The Aveo Directors unanimously recommend that you vote in favour of the Schemes, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders.**

The Aveo Directors unanimously recommend that you vote in favour of the Schemes at the upcoming Scheme Meetings on 6 November 2019, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders. In reaching their recommendation, the Aveo Directors have assessed the Schemes having regard to the reasons to vote in favour of, or against, the Schemes, as set out in this Scheme Booklet and in light of Aveo's short-to-medium term outlook. The Aveo Directors consider that the Schemes provide the opportunity for Aveo Securityholders to realise a certain and immediate outcome that is in the best interests of Aveo Securityholders.

Mr Geoff Grady (Aveo's Chief Executive Officer and Executive Director) will, if the Schemes become Effective, become entitled to Aveo Securities under the terms of the Aveo Employee Share Scheme, as described in further detail in section 3.2 and 14.2. Aveo Securityholders should note this disclosed interest of Mr Grady when considering Mr Grady's recommendation on the Schemes, which appear throughout this Scheme Booklet.

The Aveo Directors intend to vote any Aveo Securities held by them at the time of the Scheme Meetings in favour of the Schemes in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders.

b. **Nominee directors of Mulpha Group intend to recommend and support a decision that Mulpha vote in favour of the Schemes in respect of all the Aveo Securities they own or control.**

Mr Seng Huang Lee and Mr Eric Lee, who are nominee directors of Mulpha Group on the Aveo Board have confirmed to the Aveo Board, in respect of Mulpha's consideration of the Schemes, that they intend to recommend and support a decision that Mulpha vote in favour of the Schemes in respect of all the Aveo Securities it owns or controls (in aggregate approximately 24.4% of all Aveo Securities on issue), in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders.

The interests of the Aveo Directors in Aveo Securities are set out in section 13.1.

c. **The Independent Expert has concluded that the Schemes are in the best interests of Aveo Securityholders, in the absence of a Superior Proposal.**

Aveo appointed KPMG Financial Advisory Services (Australia) Pty Ltd to prepare an Independent Expert's Report, including an opinion as to whether the Schemes are in the best interests of Aveo Securityholders.

The Independent Expert has concluded that the Schemes are in the best interests of Aveo Securityholders in the absence of a Superior Proposal. This opinion is based on their assessment that the Cash Consideration is fair. The Independent Expert has not formed an opinion on whether the Schemes are fair based on the Scrip Consideration. If the Independent Expert had assessed the fairness of the Schemes based solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Annexure A. The Aveo Directors encourage you to read the Independent Expert's Report in its entirety.

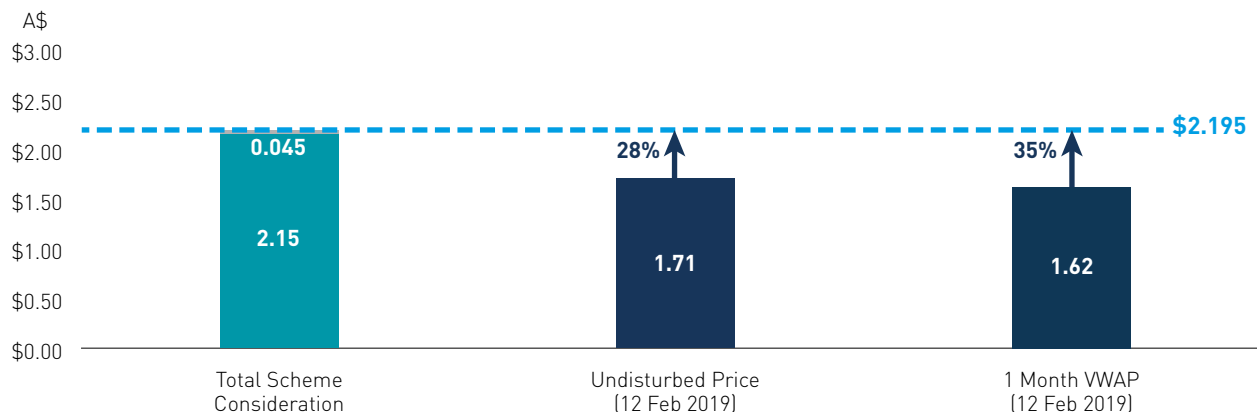
d. **No Superior Proposal has emerged as at the date of this Scheme Booklet despite Aveo having undertaken an extensive process to maximise securityholder value and evaluate numerous alternatives and proposals.**

Since Aveo's announcement of its entry into the Scheme Implementation Deed on 14 August 2019 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the Aveo Directors are not aware of, and have not received, any Superior Proposal.

e. **The Cash Consideration under the Schemes represents a significant premium to the undisturbed trading price of Aveo Securities.**

The Cash Consideration of \$2.15 per Aveo Security under the Schemes combined with the FY19 annual distribution of 4.5 cents per Aveo Security<sup>1</sup>, represents a:

- Premium of approximately 28% to Aveo’s undisturbed closing security price of \$1.71 on 12 February 2019<sup>2</sup>.
- Premium of approximately 35% to the VWAP of Aveo Securities on ASX of \$1.62 per Aveo Security for the one month period ended 12 February 2019<sup>3</sup>.



The Aveo Directors note that at times, Aveo Securities have traded higher than the Cash Consideration, however if the Schemes are not implemented and no Superior Proposal emerges, the market price of Aveo Securities on ASX may fall below current trading levels, all other things remaining equal, and you will be exposed to the possible underperformance of Aveo.

f. **The Cash Consideration under the Schemes represents a significant acquisition multiple.**

The Cash Consideration of \$2.15 per Aveo Security, implies an acquisition multiple of approximately ~29x Aveo EBITDA for the 12 months ending 30 June 2019<sup>4</sup>.

g. **The Cash Consideration provides Aveo Securityholders with immediate, certain value with no associated brokerage costs.**

The Cash Consideration provides certainty of value for your Aveo Securities (subject to the Schemes becoming Effective) and the opportunity for you to realise your investment for cash, avoiding the uncertainties and risks associated with Aveo’s business or holding AOG L.P. Units. The Schemes also provide an opportunity for you to sell all your Aveo Securities at once with no associated brokerage costs.

h. **If the Schemes do not proceed, and no Superior Proposal emerges, the price of Aveo Securities may fall and Aveo may require a significant amount of capital in the near term.**

If the Schemes are not implemented, and in the absence of a Superior Proposal, Aveo Securities may trade below the price at which they have traded since Aveo’s announcement of entry into the Scheme Implementation Deed on 14 August 2019. In addition, the future trading price of Aveo Securities will continue to be subject to market volatility compared to the certain value of \$2.15 cash per Aveo Security available under the Schemes.

As previously announced on ASX, if Aveo’s leverage and gearing ratios remain at current levels this may constrain Aveo’s ability to fund growth initiatives or adversely impact its ability to pay distributions. As a result of these constraints, the business may be required to raise equity or sell assets to reduce current debt levels should the Schemes not proceed.

Where the Schemes are not approved and Aveo proceeds with a capital raising, there is no certainty that this capital raising can be secured in the public market. However, if a capital raising is unsuccessful, it may cause the price of Aveo Securities to fall.

1. Annual distribution declared on 24 June 2019 with the payment of the distribution anticipated to be made on 30 September 2019.  
 2. Last undisturbed closing security price prior to Aveo updating the market on 13 February 2019 that it had received a number of indicative non-binding bids from parties interested in a whole of company transaction as part of Aveo’s Strategic Review.  
 3. VWAP is calculated based on cumulative value traded on ASX divided by cumulative volume traded on ASX. VWAP is calculated from 12 January 2019 to 12 February 2019 (inclusive). Source: IRESS.  
 4. Assumes 580.7 million Aveo Securities on a fully diluted basis with adjusted net debt as at 30 June 2019 of \$0.8 billion reflect payments of (1) Aveo Permitted Distribution of ~\$26 million (2) cash settled Aveo Incentives of ~\$6 million and Aveo underlying EBITDA of \$71.1 million for the 12 months ended 30 June 2019.

## 5. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE CONT

### i. **The Scrip Consideration provides the potential flexibility for Aveo Securityholders who wish to maintain an indirect interest in Aveo, by holding AOG L.P. Units, to do so, having regard to the risks involved.**

Subject to the Minimum Scrip Consideration Threshold being satisfied and the Scaleback Arrangements, the Schemes provide flexibility for you to elect to receive the Scrip Consideration instead of the Cash Consideration, and to receive AOG L.P. Units and become a limited partner under the AOG L.P. Partnership Agreement, therefore maintaining an indirect ownership interest in the Aveo business following implementation of the Schemes.

The AOG L.P. Units being issued as the Scrip Consideration will be limited partnership interests comprising units in AOG L.P., a Bermuda exempted limited partnership, established under the AOG L.P. Partnership Agreement.

AOG L.P. will hold securities in TopCo, the Australian unlisted holding company of BidCo and therefore provide Aveo Securityholders with a continuing indirect minority interest in Aveo.

AOG L.P. will become a party to the TopCo Shareholders' Deed upon implementation of the Scheme.

There is no certainty that you will participate in any future Exit by a TopCo Group Member of its investment in Aveo or that Aveo will continue to be controlled by Brookfield Group.

You will have no control over the timing or circumstances of any Exit, and there is no assurance that the future value of AOG L.P. Units will be equal to or higher than the value of the Cash Consideration.

**The Aveo Board makes no recommendation in relation to the Scrip Consideration, due to the speculative nature of the AOG L.P. Units and whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor.**

**The Aveo Board notes that there are significant risks involved in an investment in the foreign unlisted AOG L.P. which is very different from holding the securities you currently have in Aveo as an ASX-listed company. Please see section 5.3 for factors Aveo Securityholders who are considering making an election for Scrip Consideration should take into account and section 11.4 for more information in relation to the risks associated with an investment in AOG L.P.**

### 5.2 Reasons you may want to vote against the Schemes

#### a. **You may disagree with the Aveo Board's unanimous recommendation or with the Independent Expert's conclusion**

Notwithstanding the unanimous recommendation of the Aveo Board to vote in favour of the Schemes and the conclusion of the Independent Expert that the Schemes are in the best interests of Aveo Securityholders, you may believe that the Schemes are not in your best interests.

#### b. **You may believe that there is potential for a Superior Proposal to be made in the foreseeable future**

It is possible that a more attractive proposal for Aveo Securityholders could materialise in the future. If the Schemes are implemented, this precludes the possibility of receiving the benefit of any future, potentially more favourable, proposal for your Aveo Securities. The Aveo Board are, as at the date of this Scheme Booklet, not aware of, and have not received, any Superior Proposal.

#### c. **You may wish to maintain your direct investment in Aveo as an independent ASX-listed company**

If the Schemes are implemented and you received the Cash Consideration, you will cease to hold an interest in Aveo and will no longer have the rights of an Aveo Securityholder. In particular, you will no longer be able to participate in Aveo's future financial performance (including future potential capital growth and distributions from Aveo that may be paid), potential upside or the future prospects of its business.

By electing to receive the Scrip Consideration, Aveo Securityholders will, subject to the Minimum Scrip Consideration Threshold being satisfied and the Scaleback Arrangements, hold an investment in AOG L.P., a Bermuda exempted limited partnership. This will provide those securityholders with an indirect, minority interest in Aveo if the Schemes are implemented.

AOG L.P. will hold Class B securities in TopCo, a newly formed, unlisted Australian proprietary company. This will indirectly provide those Aveo Securityholders who elect to receive the conditional Scrip Consideration with ongoing economic exposure to Aveo if the Schemes are implemented. However, an investment in AOG L.P. is not the same as an investment in Aveo, and an investment in AOG L.P. will have materially different, and additional, risks than what applies to your current investment in Aveo. In particular, an investment in AOG L.P. will not involve various protections which shareholders have when investing in an ASX-listed company, including not being subject to the same level of regulation as an ASX-listed public company, such as not being subject to the ASX Listing Rules, the Corporations Act, Australia's takeover regime, continuous disclosure obligations and certain other investor protections.

The Aveo Board makes no recommendation in relation to the Scrip Consideration, due to the speculative nature of the AOG L.P. Units and whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor.

The Aveo Board notes that there are significant risks involved in an investment in the foreign unlisted AOG L.P. which is very different from holding the securities you currently have in Aveo as an ASX-listed company. Please see section 5.3 for factors Aveo Securityholders who are considering making an election for Scrip Consideration should take into account and section 11.4 for more information in relation to the risks associated with an investment in AOG L.P.

d. **The tax consequences of the Schemes may not suit your current financial circumstances**

Implementation of the Schemes may trigger different or adverse tax consequences for certain Aveo Securityholders. The tax treatment may vary depending on the nature and characteristics of each Aveo Securityholder and their specific circumstances. The tax consequences of the Schemes may not suit an Aveo Securityholder’s financial position. Aveo Securityholders should seek financial, tax and other professional advice as necessary for their specific circumstances.

Aveo Securityholders should read the tax implications outlined in section 12. Section 12 is general in nature and Aveo Securityholders should consult with their professional tax adviser regarding their particular circumstances.

### 5.3 Implications of electing the Scrip Consideration

Instead of receiving the Cash Consideration under the Schemes, Aveo Securityholders may elect to receive the Scrip Consideration in the form of AOG L.P. Units, being units issued by a Bermuda exempted limited partnership. AOG L.P. will hold shares in the unlisted TopCo that will own Aveo after implementation of the Schemes. Electing to receive AOG L.P. Units carries additional risks (see section 11.4 for further details).

**The Aveo Board makes no recommendation in relation to the Scrip Consideration, due to the speculative nature of the AOG L.P. Units and whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor.**

**The Aveo Board notes that there are significant risks involved in an investment in the foreign unlisted AOG L.P. which is very different from holding the securities you currently have in Aveo as an ASX-listed company. Please see section 11.4 for more information in relation to the risks associated with an investment in AOG L.P.**

Eligible Aveo Securityholders who are considering making an Election for Scrip Consideration for their Scheme Securities should:

- take into account that the Independent Expert’s conclusion, that the Schemes are in the best interests of Aveo Securityholders, is based on the Cash Consideration and the Independent Expert has not formed an opinion on whether the Schemes are fair based on the Scrip Consideration. If the Independent Expert had assessed the fairness of the Schemes based solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair;
- take into account that, if the Maximum Scrip Threshold is reached, the Scrip Consideration received by Aveo Securityholders will be scaled back and they will receive the balance as a Cash Consideration. See section 7.4(b) for further details;
- take into account that AOG L.P. Units would be subject to the rights and restrictions under the AOG L.P. Partnership Agreement as described in section 10 of this Scheme Booklet, including:
  - significant restrictions on their ability to sell or otherwise realise their AOG L.P. Units;
  - the risk of compulsory transfer of their AOG L.P. Units where the holder becomes insolvent, undergoes a change of control or materially breaches the Shareholders’ Deed or any anti-bribery, corruption or anti-money laundering laws;
  - that they will be subject to a restraint from certain activities which may compete with TopCo Group while they hold AOG L.P. Units and for a period of 3 years after they cease to hold AOG L.P. Units; and
  - a lack of Australian law protections which currently apply to their Aveo Securities including the continuous disclosure regime, ASX listing rules and the Australian takeovers rules;
- carefully consider the risks set out in section 11.4 of this Scheme Booklet, including:
  - that a different regulatory regime will apply to AOG L.P. Units than presently applies to Aveo Securities, including risk to their limited liability status if they take part in the management of the AOG L.P.;
  - Brookfield controls the timing and manner of an Exit. Brookfield may require an Exit at a time or on terms which do not suit AOG L.P. Limited Partners, or not pursue an Exit at a time or on terms which an AOG L.P. Unit holder would prefer;
  - AOG L.P. Limited Partners will receive significantly less information and reports than they are currently provided with;

## 5. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE CONT

- lack of liquidity, with limited opportunities to sell their AOG L.P. Units;
  - the risks which are inherent in minority shareholdings;
  - the declaration and payment of dividends in TopCo will be at the sole discretion of the TopCo Board;
  - the AOG L.P. Units constitute an indirect holding in TopCo (and Aveo) and AOG L.P. Limited Partners are therefore only able to enforce rights against the AOG L.P. General Partner; and
  - risk of an increased leveraged position of the TopCo Group, as a result of BidCo's funding of the Cash Consideration through BidCo's commitments under the Scheme Debt Facilities;
- carefully consider the tax implications set out in section 12;
  - take into account the Independent Expert's Report and its views expressed in relation to the AOG L.P. B1 Units set out in Annexure A of this Scheme Booklet, noting that, in the absence of an Exit or other liquidity event, the realisable value of the AOG L.P. B1 Units is expected to incorporate a substantial minority and marketability discount and, while no conclusion has been made in relation to the Scrip Consideration, if the Independent Expert had assessed the fairness of the Schemes based solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair; and
  - consult their legal, financial, tax or other professional advisers about whether an investment in AOG L.P. meets their individual investment objectives.

### a. There are significant risks associated with holding AOG L.P. Units

There are significant risks associated with holding AOG L.P. Units. These are set out in section 11.4 and include:

- you will be subject to a different regulatory regime by holding AOG L.P. Units when compared to your current investment in Aveo;
- as an AOG L.P. Limited Partner, you may not have the benefit of limited liability that you currently have as a holder of Aveo Securities;
- you will be an indirect shareholder in a company that has a gearing ratio that is greater than the current gearing ratio of Aveo;
- you will receive less information about the Aveo business than you currently receive;
- you will have fewer rights as an indirect minority shareholder in TopCo when compared to your current investment in Aveo; and
- you will no longer be able to enforce your rights as an Aveo Securityholder directly against Aveo.

Any investment in AOG L.P. will be materially different from your current investment in Aveo and contain different, and additional risks and will not involve various protections which shareholders have when investing in an ASX-listed company, including not being subject to the same level of regulation as an ASX-listed public company, such as not being subject to the ASX Listing Rules, Australia's takeover regime, continuous disclosure obligations and certain other investor protections.

### b. There will be no active market for AOG L.P. Units and various restrictions on transferring them

Neither AOG L.P. nor TopCo are or will be publicly listed on a financial market. There will be no active market for the sale of AOG L.P. Units. As such there will be lack of liquidity for AOG L.P. Units following implementation of the Schemes.

If the Schemes are implemented, the sale or disposal of AOG L.P. Units is restricted, and will only be permitted in very limited circumstances as set out in the TopCo Shareholders' Deed.

See section 10.1 which sets out a summary of the rights and liabilities attaching to AOG L.P. Units under the AOG L.P. Partnership Agreement and the TopCo Shareholders' Deed (which, importantly, restricts your ability to sell or dispose of AOG L.P. Units). See also section 11.4 which sets out a summary of the risks relating to AOG L.P. Units.

### c. There is no guarantee that you will benefit from a future exit by Brookfield Group

Brookfield Group may seek to 'exit' its investment in TopCo, by selling the business in the future. This is subject to Brookfield Group's preferences, prevailing market conditions, the performance of the business and other factors which may be considered relevant at the time.

If a decision to sell the business is made by Brookfield Group, you may be forced to sell your AOG L.P. Units at the same time under the terms of the TopCo Shareholders' Deed. The future value of the TopCo business at the time of the sale may be lower than the value of the Aveo business today. In these circumstances, you may realise less value over the longer term through making an Election for the Scrip Consideration rather than receiving \$2.15 per Aveo Security (not including the Aveo Permitted Distribution) under the Schemes.

As at the date of this Scheme Booklet, Brookfield Group has not determined the timing of any potential sale or the exit mechanism. Any future value of TopCo will only be known at the time of any future sale.



**d. There is no guarantee that there will be any dividends**

If the Schemes are implemented, there is no guarantee that TopCo will pay any dividends following implementation of the Schemes.

**e. You will have fewer rights as a limited partner in AOG L.P.**

Aveo Securityholders who elect to receive the Scrip Consideration, subject to the Minimum Scrip Consideration Threshold being satisfied and the Scaleback Arrangements, will automatically become parties to the AOG L.P. Partnership Agreement upon implementation of the Schemes. The terms of the AOG L.P. Partnership Agreement may not be acceptable to you, including because you will cease to have the rights and protections that you currently have as a securityholder of a public company listed on ASX. For example, because you will no longer have access to the disclosures made on ASX by Aveo, your rights to information about TopCo and its performance will be significantly less than your current rights as a Aveo Securityholder. In addition, if the Schemes are implemented, the sale of AOG L.P. Units will only be permitted in very limited circumstances as set out in the AOG L.P. Partnership Agreement and the TopCo Shareholders' Deed. See section 10.1 for further information.

**f. You will be subject to the Minimum Scrip Consideration Threshold**

The Scrip Consideration will only be available if the Minimum Scrip Consideration Threshold is satisfied. No Scrip Consideration will be issued unless holders of more than 10% of Aveo Securities Elect to receive Scrip Consideration.

In the event that the Minimum Scrip Consideration Threshold is not satisfied, all Scheme Securityholders will receive the Cash Consideration and you will not receive any Scrip Consideration even if you make a valid Election to receive Scrip Consideration.

**g. You may be subject to the Scaleback Arrangements**

Aveo Securityholders who elect to receive the Scrip Consideration may be subject to the Scaleback Arrangements, as described in section 7.4(b). If the Aggregate Elected Scrip Consideration Number exceeds the Available Scrip Consideration Number (being 160,623,080 Aveo Securities), your Election for AOG L.P. Units will be scaled back on a pro rata basis.

Therefore, you may not receive any AOG L.P. Units, or as many AOG L.P. Units as you would receive if the Scaleback Arrangements did not apply. You may also receive a combination of cash and AOG L.P. Units which is inconsistent with your preferences.

## 5.4 Other considerations

**a. The Schemes may be implemented even if you vote against the Schemes or you do not vote at all**

You should be aware that if you do not vote, or vote against the Schemes, the Schemes may still be implemented if they are approved by the requisite majorities of Aveo Securityholders and the Court. If this occurs, your Aveo Securities will be transferred to BidCo and you will receive the Cash Consideration even though you did not vote on, or voted against, the Schemes.

**b. Implications for Aveo if the Schemes are not implemented**

If the Schemes are not implemented, and in the absence of a Superior Proposal being implemented, Aveo Securityholders will retain their Aveo Securities and will not receive the Cash Consideration. Aveo will continue to operate as it does currently and will remain listed on ASX.

Aveo has incurred significant costs in respect of the Schemes, including those to conduct negotiations with Brookfield Group, retain advisers, provide information to Brookfield Group, engage the Independent Expert and prepare this Scheme Booklet. If the Schemes are not implemented, transaction related costs of approximately \$3.4 million (exclusive of GST) are expected to be incurred by Aveo – this assumes no Reimbursement Fee is payable by Aveo (see section 14.1(e) of this Scheme Booklet for more information as to when the Reimbursement Fee may be payable). Further details of the estimated costs are set out in section 14.8 of this Scheme Booklet.

**c. Exclusivity obligations**

The Scheme Implementation Deed includes certain exclusivity arrangements between Aveo and BidCo. These arrangements include no shop and no talk arrangements, and obligations to notify the other party of an Alternative Transaction. Refer to section 14.1 of this Scheme Booklet for further information on these arrangements.

**d. Reimbursement fee**

Under the Scheme Implementation Deed, Aveo has agreed that, in certain circumstances, it will be liable to pay BidCo a break fee of \$13 million (excluding GST). Such circumstances are set out in clause 13 of the Scheme Implementation Deed and are summarised in section 14.1 of this Scheme Booklet. Those circumstances will not include the failure by Aveo Securityholders to pass the Resolutions at the Scheme Meetings. Nor would the Reimbursement Fee be payable simply because the Court declined to approve or the Aveo Securityholders did not approve the Schemes.

# 6. FREQUENTLY ASKED QUESTIONS

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

Question	Answer	More information
<b>Background and overview of the Transaction and the Scheme Consideration</b>		
<b>What is the Transaction?</b>	The Transaction is a proposal from BidCo, an entity controlled by Brookfield on behalf of its managed funds, to acquire 100% of the Aveo Securities by way of the Schemes. The Schemes comprise of the AGL Scheme and the Trust Scheme.	Section 3.1
<b>Why are there two Schemes?</b>	<p>There are two Schemes, because Aveo Securities comprise an AGL Share stapled to an Aveo Group Trust Unit, requiring the Transaction to be implemented by the following two interdependent Schemes:</p> <ul style="list-style-type: none"> <li>the AGL Scheme, being the scheme of arrangement between AGL and the Scheme Securityholders (as AGL Shareholders) for the transfer of all of the AGL Shares to BidCo; and</li> <li>the Trust Scheme, being a scheme of arrangement under which all of the Aveo Group Trust Units will be transferred to BidCo, facilitated by an amendment to the Aveo Group Trust Constitution as set out in the Aveo Group Trust Supplemental Deed Poll.</li> </ul>	<p>Section 7.6</p> <p>AGL Scheme attached as Annexure B</p> <p>Aveo Group Trust Supplemental Deed Poll attached as Annexure C</p>
<b>Where can I get further information?</b>	<p>If you have any questions or require further information in relation to the Scheme Booklet or the Transaction, you can contact the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.</p> <p>If you are in any doubt as to what you should do, please consult the appropriate legal, financial, tax or other professional advisers.</p>	N/A
<b>The Scheme Consideration</b>		
<b>What is the Scheme Consideration?</b>	<p>If the Schemes are implemented, Aveo Securityholders will receive the Cash Consideration of \$2.15 for each Aveo Security held by an Aveo Securityholder as at the Scheme Record Date.</p> <p>As an alternative to receiving the Cash Consideration, Aveo Securityholders (other than Ineligible Foreign Securityholders) can elect to receive the Scrip Consideration comprising limited partnership units in a Bermuda exempted limited partnership, AOG L.P.</p> <p>The Scrip Consideration will only be available if:</p> <ul style="list-style-type: none"> <li>you make an Election to receive it; and</li> <li>the Minimum Scrip Consideration Threshold is satisfied – i.e. Aveo Securityholders holding, in aggregate, at least 10% of the Aveo Securities Elect to receive the Scrip Consideration.</li> </ul>	Section 7.2(a)
<b>What is the Scrip Consideration?</b>	<p>The Scrip Consideration is 2.15 AOG L.P. Units for every Aveo Security held as at the Scheme Record Date.</p> <p>Aveo Securityholders who Elect to receive the Scrip Consideration may be subject to the Scaleback Arrangements described in section 7.4(b).</p> <p>The AOG L.P. Units being issued as the Scrip Consideration are limited partnership interests represented by units in AOG L.P., a Bermuda exempted limited partnership, established under the AOG L.P. Partnership Agreement.</p> <p>The Aveo Board notes that there are significant risks involved in an investment in the foreign unlisted AOG L.P. which is very different from holding the securities you currently have in Aveo as an ASX-listed company. Please see section 11 of more information in relation to the risks associated with an investment in AOG L.P.</p>	Sections 7.4 and 11.4

Question	Answer	More information
<b>Who is an Ineligible Foreign Securityholder and how will they be treated under the Schemes?</b>	<p>You will be an Ineligible Foreign Securityholder if your Registered Address, as at the Scheme Record Date, is a place outside Australia, Bermuda, British Virgin Islands, Malaysia and New Zealand, unless Aveo and BidCo agree otherwise.</p> <p>If you are an Ineligible Foreign Securityholder, you will receive the Cash Consideration for all of your Scheme Securities.</p>	Section 7.13
<b>Making an Election</b>		
<b>How do I make an Election?</b>	If you are an Eligible Aveo Securityholder, you may elect to receive the Scrip Consideration (instead of the Cash Consideration) for all your Scheme Securities by submitting an Election Form by 5.00pm (Sydney time) on 25 October 2019.	Section 7.4(c)
<b>How can I obtain an Election Form?</b>	You can request an Election Form by contacting the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.	Section 7.4(c)
<b>If I make an Election, can I later withdraw or change it?</b>	<p>A Scheme Securityholder may withdraw, vary or revoke that Election by lodging a replacement Election Form before the Election Time.</p> <p>You can request a replacement Election Form by contacting the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.</p>	Section 7.4(e)
<b>Can I elect the Scrip Consideration for some but not all of my Aveo Securities?</b>	No, a Scheme Securityholder may only elect to receive the Cash Consideration or the Scrip Consideration in respect of all their Aveo Securities held on the Scheme Record Date.	Section 7.2
<b>What happens if I do not make an Election in time or if the Election is invalid?</b>	<p>If the Schemes become Effective, and your Election is not received by the Aveo Securities Registry prior to the Election Time, you will receive the Cash Consideration for all of your Aveo Securities held on the Scheme Record Date.</p> <p>If your Scrip Election is invalid for any reason whatsoever (including if you are an Ineligible Foreign Securityholder), you will receive the Cash Consideration for all your Aveo Securities.</p>	Section 7.4(d)
<b>When and how will I receive my Scheme Consideration?</b>	<p>If the Schemes become effective, the Scheme Consideration will be paid or issued on the Implementation Date (currently proposed to be Friday, 29 November 2019).</p> <p>If you are not receiving Scrip Consideration, Scheme Securityholders who have validly registered their bank account details with the Aveo Securities Registry may have their Cash Consideration sent directly to their bank account. Otherwise, Scheme Securityholders will have their Cash Consideration sent by cheque to their Registered Address.</p> <p>If you are receiving Scrip Consideration, you will be sent a certificate or confirmation document reflecting the issue of the Scrip Consideration within 5 Business Days after the Implementation Date.</p>	Section 7.7

## 6. FREQUENTLY ASKED QUESTIONS CONT

Question	Answer	More information
<b>Voting recommendations and considerations</b>		
<b>What do the Aveo Directors recommend?</b>	<p>Based on the Cash Consideration, the Aveo Directors unanimously recommend that Aveo Securityholders vote in favour of the Schemes at the Scheme Meetings to be held on 6 November 2019 at 3.00pm (Sydney time), in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of, the Aveo Securityholders.</p> <p>Mr Geoff Grady (Aveo's Chief Executive Officer and Executive Director) will, if the Schemes become Effective, become entitled to Aveo Securities under the terms of the Aveo Employee Share Scheme, as described in further detail in section 3.2 and 14.2. Aveo Securityholders should note this disclosed interest of Mr Grady when considering Mr Grady's recommendation on the Schemes, which appear throughout this Scheme Booklet.</p> <p>In considering whether to vote in favour of the Schemes, the Aveo Directors encourage you to:</p> <ul style="list-style-type: none"> <li>carefully read all of this Scheme Booklet (including the Independent Expert's Report);</li> <li>have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and</li> <li>obtain advice from your legal, financial, tax or other professional advisers on the effect of the Schemes becoming Effective.</li> </ul>	Section 7.8
<b>Do the Aveo Directors have any specific views or recommendations for Aveo Securityholders on the Scrip Consideration?</b>	<p>The Aveo Directors make no recommendation in relation to the Scrip Consideration due to the speculative nature of the AOG L.P. Units and the fact that their appropriateness will depend significantly on the characteristics and risk profile of individual securityholders.</p> <p><b>The Aveo Board notes that there are significant risks involved in an investment in the foreign unlisted AOG L.P. which is very different from holding the securities you currently have in Aveo as an ASX-listed company. Please see section 5.3 for factors Aveo Securityholders who are considering making an election for Scrip Consideration should take into account and section 11.4 for more information in relation to the risks associated with an investment in AOG L.P.</b></p>	Section 7.8
<b>What is the opinion of the Independent Expert?</b>	<p>The Independent Expert has concluded that in the absence of a Superior Proposal, the Schemes are in the best interests of the Aveo Securityholders.</p> <p>The Independent Expert concluded that the Schemes are in the best interests of Aveo Securityholders based on the Cash Consideration (being the default option). The Independent Expert has not made a conclusion in relation to the Scrip Consideration. However, if the Independent Expert had assessed the fairness of the Schemes based solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair to the Aveo Securityholders. In determining the value of the Scrip Consideration, the Independent Expert has observed that the value of an AOG L.P. Unit would be expected to incorporate a substantial minority and marketability discount.</p>	Section 7.10

Question	Answer	More information
<p><b>What do the Aveo Directors intend to do?</b></p>	<p>The Aveo Directors intend to vote any Aveo Securities held by them at the Scheme Meetings on 6 November 2019 in favour of the Schemes, subject to the following matters:</p> <ul style="list-style-type: none"> <li>• the absence of a Superior Proposal;</li> <li>• the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders; and</li> <li>• Mr Seng Huang Lee and Mr Eric Lee, who are nominee directors of Mulpha group on the Board of Aveo, make no representation as to the voting intentions of the Mulpha subsidiaries which hold Aveo Securities, since Mulpha International Bhd is a listed entity on Bursa Malaysia and its board will need to consider the Scheme Booklet, in order to make a decision. However, Messrs Lee and Lee have confirmed to the Aveo Board that, in respect of Mulpha’s consideration of the Transaction, they intend to recommend and support a decision that Mulpha vote in favour of the Schemes. As at the date of this Scheme Booklet, Messrs. Lee and Lee have informed the Aveo Board that they have not yet made a decision on whether they will recommend that Mulpha subsidiaries elect to receive Cash Consideration or Scrip Consideration, as they consider it appropriate to discuss this with Mulpha once it has received a copy of the Scheme Booklet. Should Mulpha inform Aveo of its voting or consideration election intentions, Aveo will update the market accordingly.</li> </ul>	<p>Section 7.9</p>
<b>Conditions to the Schemes and approval of the Schemes</b>		
<p><b>Are there any conditions to the Schemes?</b></p>	<p>Implementation of the Schemes is subject to a number of Conditions Precedent, including:</p> <ul style="list-style-type: none"> <li>• approval from FIRB;</li> <li>• relief from ASIC in relation to the Trust Scheme;</li> <li>• approval of the Schemes by the requisite majorities of Aveo Securityholders at the Scheme Meetings;</li> <li>• approval of the AGL Scheme by the Court;</li> <li>• the Independent Expert continuing to conclude that the Schemes are in the best interests of the Aveo Securityholders;</li> <li>• no court or Government Agency restrains or prevents implementation of the Schemes;</li> <li>• no Material Adverse Change occurs;</li> <li>• no Aveo Prescribed Occurrence occurs;</li> <li>• no Aveo Regulated Event occurs;</li> <li>• the representations and warranties given by Aveo and BidCo to each other being accurate and not misleading;</li> <li>• completion of the Restructure Steps; and</li> <li>• determination of the first ‘Period’ for the year ending 30 June 2020 by the Aveo Group Trust in accordance with the Aveo Group Trust Constitution.</li> </ul>	<p>Section 7.5</p>
<p><b>What is required for the Schemes to become Effective?</b></p>	<p>The Schemes will only become Effective and be implemented if:</p> <ul style="list-style-type: none"> <li>• the Scheme Resolution is approved by the requisite majorities of Aveo Securityholders at the Scheme Meeting;</li> <li>• the Trust Scheme Resolutions are approved by the requisite majorities of Aveo Securityholders at the Trust Scheme Meeting;</li> <li>• the AGL Scheme is approved by the Court at the Second Court Hearing; and</li> <li>• the conditions in relation to the Scheme outlined in section 7.5 of this Scheme Booklet are satisfied or waived (as appropriate).</li> </ul>	<p>Section 7.6(b)</p>

## 6. FREQUENTLY ASKED QUESTIONS CONT

Question	Answer	More information
When and where will the Scheme Meetings be held?	The Trust Scheme Meeting and the Scheme Meeting will be conducted concurrently in all respects, and will be held at 3.00pm on Wednesday, 6 November 2019) at the InterContinental Hotel, Sydney at 117 Macquarie Street, Sydney NSW 2000.	Notice of Scheme Meeting and Notice of Trust Scheme Meeting as attached in Annexure H
What will Aveo Securityholders be asked to vote on at the Scheme Meetings?	Aveo Securityholders will be asked at the Scheme Meetings to vote on the following Resolutions: <ul style="list-style-type: none"> <li>the <b>Trust Scheme Resolutions</b> – to approve the amendments to the Aveo Group Trust Constitution as set out in the Aveo Group Trust Supplemental Deed (<b>Trust Constitution Amendment Resolution</b>) and to approve the acquisition of all the Trust Scheme Units by BidCo (<b>Trust Acquisition Resolution</b>); and</li> <li>the <b>Scheme Resolution</b> – to approve the transfer of the AGL Shares to BidCo.</li> </ul>	Section 7.6 Notice of Scheme Meeting and Notice of Trust Scheme Meeting as attached in Annexure H
What is the Aveo Securityholder approval threshold for the Schemes?	For the Trust Scheme Resolutions to be approved: <ul style="list-style-type: none"> <li>the Trust Constitution Amendment Resolution must be passed by at least 75% of the total number of votes cast on the relevant resolutions by Aveo Securityholders entitled to vote on the Trust Constitution Amendment Resolution; and</li> <li>the Trust Acquisition Resolution must be passed by more than 50% of the total number of votes cast on the relevant resolutions by Aveo Securityholders entitled to vote on the Trust Acquisition Resolution.</li> </ul> For the Scheme Resolution to be approved: <ul style="list-style-type: none"> <li>a majority in number (more than 50%) of Aveo Securityholders present and voting (in person or by proxy, attorney or corporate representative); and</li> <li>at least 75% of the total number of votes cast on the Scheme Resolution.</li> </ul>	Section 7.6 Notice of Scheme Meeting and Notice of Trust Scheme Meeting as attached in Annexure H
Am I entitled to vote at the Scheme Meetings?	You will be entitled to vote at the Scheme Meetings if you are registered as an Aveo Securityholder on the Aveo Securities Register at 7.00pm on the date which is two days before the Scheme Meeting (two days prior is currently expected to be Monday, 4 November).	Notice of Scheme Meeting and Notice of Trust Scheme Meeting as attached in Annexure H
How can I vote if I can't attend the Scheme Meetings?	If you would like to vote but cannot attend the Scheme Meetings in person, you can vote by appointing a proxy, attorney or corporate representative (if applicable) to attend and vote on your behalf, including by lodging your Proxy Form online at <a href="http://www.investorvote.com.au">www.investorvote.com.au</a> and following the instructions on your proxy form.	Notice of Scheme Meeting and Notice of Trust Scheme Meeting as attached in Annexure H
When will the results of the Scheme Meetings be known?	The results of the Scheme Meetings will be available as soon as possible after the conclusion of the Scheme Meetings and will be announced to ASX ( <a href="http://www.asx.com.au">www.asx.com.au</a> ) once available.	Section 7.6(e)
What happens if the Court does not approve the Schemes or the Schemes do not otherwise proceed?	If the Schemes are not approved by the requisite majorities of Aveo Securityholders, or the Court, the Schemes will not proceed.  If the Schemes are not implemented, and in the absence of a Superior Proposal being implemented: <ul style="list-style-type: none"> <li>Aveo Securityholders will continue to hold Aveo Securities and will be exposed to general risks as well as risks specific to Aveo or the industries in which it operates, including those set out in section 11.3 of this Scheme Booklet;</li> <li>Aveo Securityholders will not receive the Scheme Consideration; and</li> <li>a break fee of \$13 million (excluding GST) may be payable by Aveo to BidCo under certain circumstances. Those circumstances will not include the failure by Aveo Securityholders to pass the Resolutions at the Scheme Meetings.</li> </ul>	Section 7.11



Question	Answer	More information
<b>What happens if the Court does not approve the Schemes or the Schemes do not otherwise proceed?</b> <i>cont</i>	In the absence of a Superior Proposal, Aveo will continue as an ASX-listed company with management continuing to implement the business plan, and financial and operating strategies it had in place prior to Aveo's announcement of entry into the Scheme Implementation Deed on 14 August 2019.	Section 7.11
<b>What happens to my Aveo Securities if I do not vote, or if I vote against the Scheme, and the Schemes become Effective and are implemented?</b>	If you do not vote, or vote against the Schemes and the Schemes become Effective and are implemented, any Scheme Securities held by you on the Scheme Record Date (currently expected to be 21 November 2019) will be transferred to BidCo and you will be sent the Cash Consideration, despite not having voted or having voted against the Schemes.	N/A
<b>Information about Brookfield, BidCo, HoldCo, TopCo and AOG L.P.</b>		
<b>Who is Brookfield?</b>	<p>Brookfield is a leading global alternative asset manager with over US\$385 billion in assets under management. Brookfield has a 120-year history of owning and operating assets with a focus on real estate, renewable power, infrastructure and private equity.</p> <p>As one of the largest global investors in real estate, Brookfield manages an irreplaceable portfolio of iconic properties located in the most dynamic and resilient markets around the world. In Australia, Brookfield has almost 22,500 operating employees across multiple sectors including real estate, infrastructure, construction and healthcare services.</p>	Section 9.2
<b>Who is BidCo?</b>	<p>BidCo is a special purpose Australian proprietary limited company that was incorporated by Brookfield for the purpose of acquiring the Aveo Securities via the Schemes.</p> <p>BidCo has not commenced trading or conducted business and does not own any assets or have any liabilities, other than in connection with its incorporation, the entry into the transaction documents in connection with the Schemes, entering into certain financing arrangements and the taking of such other actions as are necessary to facilitate the Schemes (including the actions in relation to the incurrence of costs, fees and expenses in connection with the Schemes).</p>	Section 9.5
<b>Who is HoldCo?</b>	<p>HoldCo is a special purpose Australian proprietary limited company that was incorporated for the purpose of holding the shares in BidCo and entering into certain financing arrangements.</p> <p>HoldCo has not commenced trading or conducted business and does not own any assets or have any liabilities, other than in connection with its incorporation and the taking of any actions as are necessary to facilitate the Schemes (including the actions in relation to the incurrence of costs, fees and expenses in connection with the Schemes).</p>	Section 9.4

## 6. FREQUENTLY ASKED QUESTIONS CONT

Question	Answer	More information
<b>Who is TopCo?</b>	<p>TopCo is a special purpose Australian proprietary limited company that was incorporated by Brookfield for the purpose of:</p> <ul style="list-style-type: none"> <li>• indirectly holding all the shares in BidCo;</li> <li>• issuing TopCo Class A Shares and TopCo Class A Loan Notes to the Brookfield ALVs; and</li> <li>• issuing TopCo Class B Shares and TopCo Class B Loan Notes to AOG L.P..</li> </ul> <p>TopCo has not commenced trading or conducted business and does not own any assets or have any liabilities, other than in connection with its incorporation, the entry into the transaction documents in connection with the Schemes, entering into certain financing arrangements and the taking of such other actions as are necessary to facilitate the Schemes (including actions in relation to the incurrence of costs, fees and expenses in connection with the Schemes).</p>	Section 9.3
<b>Who is AOG L.P.?</b>	<p>AOG L.P. is a special purpose limited partnership without separate legal personality that is formed in Bermuda. It was formed for the purpose of:</p> <ul style="list-style-type: none"> <li>• holding all the TopCo Class B Securities; and</li> <li>• issuing AOG L.P. B1 Units, AOG L.P. B2 Units and AOG L.P. B2 Notes to AOG L.P. Limited Partners.</li> </ul> <p>On implementation of the Schemes, AOG L.P. will issue AOG L.P. B1 Units to Aveo Securityholders who make a valid Scrip Election. The number of AOG L.P. B1 Units on issue will be equal to the number of TopCo Class B1 Shares issued to AOG L.P. under the Schemes.</p> <p>AOG L.P. has not commenced trading or conducted business and does not own any assets or have any liabilities, other than in connection with its formation, the entry into transaction documents in connection with the Schemes and the taking of such other actions as are necessary to facilitate the Schemes.</p>	Section 9.6
<b>What are BidCo's intentions if the Schemes are implemented?</b>	<p>If the Schemes are implemented, BidCo currently intends to:</p> <ul style="list-style-type: none"> <li>• apply for the removal of Aveo from the official list of ASX, convert Aveo into a proprietary company limited by shares and replace AGL's existing constitution;</li> <li>• retain the stapled structure of AGL and Aveo Group Trust;</li> <li>• retain Aveo's current head office;</li> <li>• continue Aveo's focus on furthering its position as a leading owner, operator and manager of retirement communities across Australia;</li> <li>• implement an operating model focusing on optimising the sales process, selling down completed stock and investing in Aveo's real estate portfolio;</li> <li>• undertake a full review of Aveo and its business, operations, assets and employees to determine how best to operate and further develop and grow the Aveo Group;</li> <li>• evaluate future management and employment requirements as appropriate and with regard to the operation of Aveo's business in the future; and</li> <li>• consider the establishment of customary equity incentive plan for eligible management of Aveo.</li> </ul> <p>Final decisions will only be made by BidCo following a detailed review of Aveo's business after implementation of the Schemes. The above intentions are therefore statements of current intention only and may change as new information becomes available or as circumstances change.</p>	Section 9.8

Question	Answer	More information
<b>What are BidCo's intentions if the Schemes are implemented?</b> <i>cont</i>	Consistent with typical strategic investments of this nature, BidCo may seek to 'exit' its investment in Aveo in the future, subject to market conditions at the time, the business' performance and other factors which may be considered relevant at the time. Similarly, BidCo may seek to divest certain retirement villages, development sites or residential land holdings and efficiently repatriate proceeds to its shareholders, subject to necessary approvals and prevailing market conditions.	Section 9.8
<b>How is BidCo funding the Scheme Consideration?</b>	BidCo intends to fund the Cash Consideration for the Schemes through a combination of equity committed by the Brookfield AIVs, shareholder loans advanced by the Brookfield AIVs and third party debt financing.	Section 9.8
<b>What is the AOG L.P. Partnership Agreement and the TopCo Shareholders' Deed?</b>	<p>Aveo Securityholders who receive AOG L.P. Units as Scrip Consideration will become parties to the AOG L.P. Partnership Agreement. This will occur pursuant to the Schemes, under which each eligible Aveo Securityholder who elects to receive Scrip Consideration agrees to become a limited partner of AOG L.P. and to be bound by the terms of the AOG L.P. Partnership Agreement.</p> <p>AOG L.P. will hold TopCo Class B Securities in TopCo. The TopCo Shareholders' Deed sets out the rights and obligations of the TopCo Securityholders.</p> <p>A summary of the rights and liabilities attaching to:</p> <ul style="list-style-type: none"> <li>• AOG L.P. Units under the AOG L.P. Partnership Agreement; and</li> <li>• TopCo Class B Securities under the TopCo Shareholders' Deed,</li> </ul> <p>is set out in section 10.1.</p> <p>Full copies of the TopCo Shareholders' Deed and the AOG L.P. Partnership Agreement are attached to this Scheme Booklet.</p>	Section 10
<b>Other questions</b>		
<b>What happens if an Superior Proposal is received?</b>	<p>Under the Scheme Implementation Deed, Aveo is bound by certain exclusivity obligations, including in relation to an Alternative Transaction. Subject to Aveo's exclusivity obligations under the Scheme Implementation Deed, the Aveo Directors will carefully consider an Alternative Transaction and advise you of their recommendation should such an Alternative Transaction arise.</p> <p>As at the date of this Scheme Booklet, the Aveo Directors are not aware of any Alternative Transaction. If the Aveo Directors withdraw or adversely modify their recommendation concerning the Schemes, Aveo may be obliged to pay BidCo a break fee of approximately \$13 million (excluding GST).</p>	Section 14.1
<b>Is there a break fee?</b>	Aveo must pay BidCo a break fee of \$13 million (excluding GST) in certain circumstances. The break fee will not be payable as a result of the Schemes not receiving the requisite Aveo Securityholder approval.	Section 14.1
<b>Can I sell my Aveo Securities now?</b>	Yes. You can sell your Aveo Securities on market at any time before the close of trading on ASX on the date of the Scheme Meetings (assuming the Schemes are approved by Aveo Securityholders at the Scheme Meetings) at the prevailing market price at that time (which may vary from the Cash Consideration). If you do so, you will not receive the Scheme Consideration and you may incur brokerage costs.	N/A
<b>What are the tax implications of the Scheme?</b>	<p>The tax implications of the Schemes will depend on your personal circumstances.</p> <p>A general outline of the main Australian tax implications of the Schemes for certain Aveo Securityholders is set out in section 12 of this Scheme Booklet.</p> <p>As this outline is general in nature, you should consult with your own tax advisers for detailed tax advice regarding the Australian and, if applicable, foreign tax implications for participating in the Schemes in light of the particular circumstances which apply to you before making a decision as to how to vote on the Schemes.</p> <p>Section 12 sets out further details on the tax implications of the Schemes.</p>	Section 12

# 7. KEY FEATURES OF THE SCHEMES

## 7.1 Background

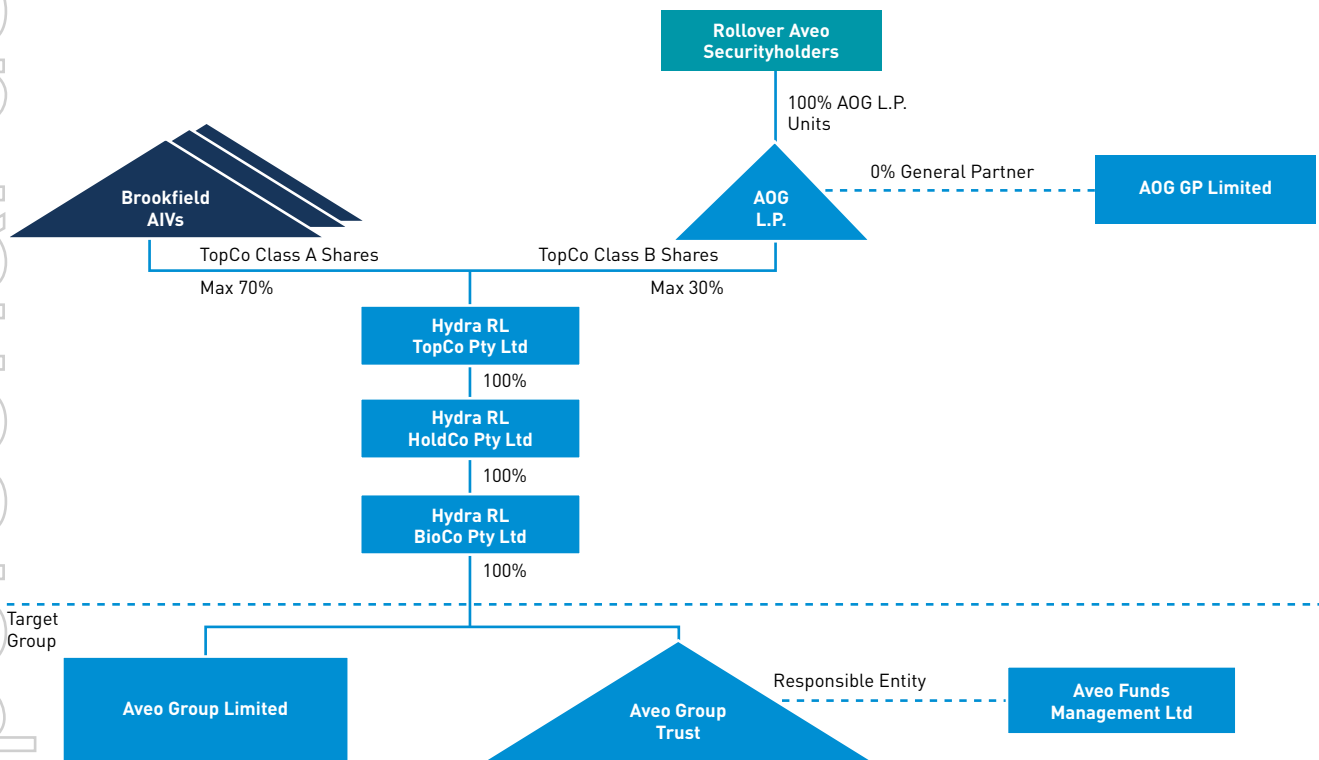
On 14 August 2019, Aveo entered into a Scheme Implementation Deed with BidCo and TopCo, entities controlled by Brookfield on behalf of its managed funds, under which BidCo undertakes to acquire 100% of the outstanding securities of Aveo by way of the Trust Scheme and the AGL Scheme.

A brief summary of the Scheme Implementation Deed is included in section 14.1 of this Scheme Booklet. A full copy of the Scheme Implementation Deed was released to ASX on 14 August 2019 and can be obtained from [www.asx.com.au](http://www.asx.com.au) or <https://www.aveo.com.au/investors/asx-announcements/>.

This section 7 contains an overview of the Schemes.

If the Schemes become Effective and are implemented, Aveo will be delisted from ASX and become a wholly owned Subsidiary of BidCo.

The following diagram shows the proposed ownership structure of BidCo following implementation of the Scheme.



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

### a. Scheme Consideration

If the Schemes are implemented, Aveo Securityholders (other than Ineligible Foreign Securityholders) will be entitled to receive the Scheme Consideration from BidCo, being either:

- the Cash Consideration of \$2.15 for each Aveo Security held by an Aveo Securityholder as at the Scheme Record Date; or
- as an alternative to receiving the Cash Consideration for all of their Aveo Securities held on the Scheme Record Date, Eligible Aveo Securityholders (which excludes Ineligible Foreign Securityholders) can make an Election to receive the Scrip Consideration – 2.15 AOG L.P. Units for each Aveo Security they hold as at the Scheme Record Date.

Scheme Securityholders may only elect to receive the Cash Consideration or the Scrip Consideration in respect of **all** their Aveo Securities held on the Scheme Record Date.

Any Election for the Scrip Consideration may be subject to the Scaleback Arrangements as described in section 7.4(b) below.

#### b. Fractional entitlements

Where the calculation of the number of AOG L.P. Units to be issued to a particular Scheme Securityholder would result in the Scheme Securityholder becoming entitled to a fraction of an AOG L.P. Unit, then the fractional entitlement will be rounded to the nearest whole number of AOG L.P. Units.

Where the calculation of the Cash Consideration to be provided to a particular Scheme Securityholder would result in the Scheme Securityholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down (as applicable) to the nearest cent.

The details regarding fractional entitlements are set out in full in clause 5.7 of the AGL Scheme attached as Annexure B and clause 27.15 of the Aveo Group Trust Supplemental Deed attached as Annexure C of this Scheme Booklet.

#### c. AOG L.P. Units to rank equally

All AOG L.P. Units issued to Scheme Securityholders under the Schemes will rank equally and the AOG L.P. Units will be the only existing AOG L.P. Units on issue as at the Implementation Date.

#### d. Ineligible Foreign Securityholders

BidCo will be under no obligation to issue any AOG L.P. Units to any Ineligible Foreign Securityholder and will instead issue the Cash Consideration to each of them.

#### e. Confirmation document

For those Scheme Securityholders who elect to receive the Scrip Consideration, if the Schemes are implemented, AOG L.P. will send, or procure the sending of, a certificate or a confirmation document to the Registered Address of each of those Scheme Securityholder setting out the number of AOG L.P. Units issued to the Scheme Securityholder under the Schemes.

### 7.3 Cash Consideration

The Cash Consideration is \$2.15 per Scheme Security. The Aveo Permitted Distribution is a distribution of approximately \$0.045 per Aveo Security to be paid by Aveo on or about 30 September 2019.

An Aveo Securityholder can elect to receive the Cash Consideration by completing the Election Form. This is also the default Scheme Consideration – if an Aveo Securityholder does not make an Election before the Election Time to receive Scrip Consideration, they will be deemed to have made an Election to receive Cash Consideration.

In addition, an Aveo Securityholder who:

- is an Ineligible Foreign Securityholder; or
- acquires Scheme Securities after the Election Time,

will, subject to Aveo and BidCo agreeing otherwise, receive the Cash Consideration for their Scheme Securities.

### 7.4 Scrip Consideration

If a Scheme Securityholder makes an Election for Scrip Consideration in respect of all of its Aveo Securities held on the Scheme Record Date, it will be entitled to receive the Scrip Consideration, being 2.15 AOG L.P. Units per Aveo Security held by that Scheme Securityholder, unless the Scrip Consideration is subject to the Scaleback Arrangements.

#### a. What are the AOG L.P. Units?

The AOG L.P. Units being issued as the Scrip Consideration are limited partnership interests represented by units in AOG L.P., a Bermuda exempted limited partnership, established under the AOG L.P. Partnership Agreement. AOG L.P. will hold securities in TopCo, the holding company of BidCo and AOG L.P. will provide Aveo Securityholders with a continuing indirect minority interest in Aveo.

**The Aveo Board makes no recommendation in relation to the Scrip Consideration, due to the speculative nature of the AOG L.P. Units and that whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor.**

**The Aveo Board notes that there are significant risks involved in an investment in the foreign unlisted AOG L.P. which is very different from holding the securities you currently have in Aveo as an ASX-listed company. Please see section 11.4 for more information in relation to the risks associated with an investment in AOG L.P.**

## 7. KEY FEATURES OF THE SCHEMES CONT

### b. Scaleback Arrangements

As set out in the Schemes, the Scrip Consideration will be subject to the Scaleback Arrangements if the total number of AOG L.P. Units validly elected by the Scheme Securityholders exceed the Available Scrip Consideration Number (being 160,623,080 Aveo Securities). Any scaleback will be on a pro rata basis.

This will ensure that Brookfield will hold an equity interest in TopCo on implementation of the Schemes of no less than 70% and Scheme Securityholders will hold an indirect equity interest in TopCo on implementation of the Schemes of no more than 30%.

A Scheme Securityholder that is subject to the Scaleback Arrangements will receive the Cash Consideration for those Aveo Securities which it would have received as Scrip Consideration but which will not be issued as a result of the application of the Scaleback Arrangements.

Aveo intends to indicatively announce to ASX ([www.asx.com.au](http://www.asx.com.au)) the amount of Elections for the Scrip Consideration made by the Scheme Securityholders on 26 October 2019 and will make a subsequent announcement confirming the final results of the Elections for Scrip Consideration and whether any Scaleback Arrangements will apply on 25 November 2019.

See clause 5.5 of the AGL Scheme (Annexure B) for further details on the Scaleback Arrangements.

### c. How to make an Election

Eligible Aveo Securityholders (other than Ineligible Foreign Securityholders) may make an Election for all of their Scheme Securities through lodging the Election Form with the Aveo Securities Registry. An Eligible Aveo Securityholder can request an Election Form by contacting the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.

For an Election to be valid:

- the Scheme Securityholder must complete and sign the Election Form in accordance with the instructions in the Scheme Booklet and the terms and conditions on the Election Form; and
- the Election Form must be received by the Aveo Securities Registry before the Election Time at the address specified in the Scheme Booklet and on the Election Form.

If the Scheme Securityholder makes a valid Election to receive Scrip Consideration in respect of only some of its Scheme Securities and makes no Election or an invalid election in respect of the remainder, the Scheme Securityholder will be deemed to have elected to receive Scrip Consideration in respect of all of its Scheme Securities.

Similarly, if the Scheme Securityholder makes a valid Election to receive Cash Consideration in respect of only some of its Scheme Securities and makes no Election or an invalid election in respect of the remainder, the Scheme Securityholder will be deemed to have elected to receive Cash Consideration in respect of all of its Scheme Securities.

Nominees or custodians which hold one or more parcels of Scheme Securities may make separate Elections to receive either Cash Consideration or Scrip Consideration for all of their Scheme Securities in relation to each of those parcels. For further information, please contact the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.

### d. What happens if the election is invalid?

If an Aveo Securityholder does not make a valid election, the Aveo Securityholder will receive the Cash Consideration for all their Aveo Securities.

### e. Can an Election be withdrawn?

A Scheme Securityholder may withdraw, vary or revoke that Election by lodging a replacement Election Form before the Election Time.



## 7.5 Conditions to the Schemes

The implementation of the Schemes are subject to a number of Conditions Precedent, including:

- approval from FIRB;
- relief from ASIC in relation to the Trust Scheme;
- approval of the Schemes by the requisite majorities of Aveo Securityholders at the Scheme Meetings;
- approval of the AGL Scheme by the Court;
- the Independent Expert continues to conclude that the Schemes are in the best interests of the Aveo Securityholders;
- no court or Government Agency restrains or prevents implementation of the Schemes;
- no Material Adverse Change occurs;
- no Aveo Prescribed Occurrence occurs;
- no Aveo Regulated Event occurs;
- the representations and warranties given by Aveo and BidCo to each other being accurate and not misleading;
- completion of the Restructure Steps; and
- determination of the first 'Period' for the year ending 30 June 2020 by the Aveo Group Trust in accordance with the Aveo Group Trust Constitution.

The Conditions Precedent are set out in full in clause 4.1 of the Scheme Implementation Deed.

The Schemes will not proceed unless all the Conditions Precedent are satisfied or waived (as applicable) in accordance with the Scheme Implementation Deed.

## 7.6 Schemes procedure

### a. Resolutions

Aveo Securityholders will be asked to consider, and if thought fit, pass the following Resolutions on Wednesday, 6 November 2019:

Resolution	Description of Resolution
<b>Trust Scheme Meeting on 6 November 2019 at 3.00pm (Sydney time)<sup>1</sup> (Notice of Trust Scheme Meeting included in Annexure H)</b>	
<b>Trust Constitution Amendment Resolution</b>	a special resolution under section 601GC(1) of the Corporations Act to approve amendments to the Aveo Group Trust Constitution as set out in the Aveo Group Trust Supplemental Deed (as set out in Annexure C) and approve the transfer of Trust Scheme Units.
<b>Trust Acquisition Resolution</b>	an ordinary resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the Trust Scheme Units by BidCo.
<b>Scheme Meeting on 6 November 2019 at 3.00pm (Sydney time)<sup>1</sup> (Notice of Scheme Meeting included in Annexure H)</b>	
<b>Scheme Resolution</b>	a resolution under section 411(4)(a)(iii) of the Corporations Act, to approve the AGL Scheme for the transfer of AGL Shares to BidCo.

### b. Scheme approval requirements

The Schemes will only become Effective and be implemented if:

- the Scheme Resolution is approved by the requisite majorities of Aveo Securityholders at the Scheme Meeting;
- the Trust Scheme Resolutions are approved by the requisite majorities of Aveo Securityholders at the Trust Scheme Meeting;
- the AGL Scheme is approved by the Court at the Second Court Hearing and the Court grants the Second Judicial Advice; and
- the conditions in relation to the Schemes outlined in section 7.5 of this Scheme Booklet are satisfied or waived (as appropriate).

<sup>1</sup> The Trust Scheme Meeting and the Scheme Meeting will be conducted concurrently in all respects (on Wednesday, 6 November 2019). As a practical matter from an administrative and attendee point of view, the conduct of the Scheme Meetings will be as if it were one single meeting.

# 7. KEY FEATURES OF THE SCHEMES CONT

## c. Trust Scheme Meeting

The Trust Scheme Meeting and the Scheme Meeting will be conducted concurrently in all respects (on Wednesday, 6 November 2019).

As a practical matter from an administrative and attendee point of view, the conduct of the Scheme Meetings will be as if it were one single meeting.

The terms of the Trust Scheme Resolutions to be considered at the Trust Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure H of this Scheme Booklet. The Trust Scheme Resolutions are conditional on the Scheme Resolutions being approved.

For the Trust Scheme Resolutions to be approved:

- the Trust Constitution Amendment Resolution must be passed by at least 75% of the total number of votes cast on the relevant resolutions by Aveo Securityholders entitled to vote on the Trust Constitution Amendment Resolution. For the purposes of this Resolution, and in accordance with section 253E of the Corporations Act, Aveo Funds RE are not entitled to vote any interests they may have if they have an interest in the resolution other than as a member of the Aveo Group Trust; and
- the Trust Acquisition Resolution must be passed by more than 50% of the total number of votes cast on the relevant resolutions by Aveo Securityholders entitled to vote on the Trust Acquisition Resolution. For the purposes of this Resolution, and in accordance with item 7, section 611 and section 253E of the Corporations Act, BidCo and its associates must not cast any votes in favour of the resolution, and Aveo and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of Aveo Group Trust.

Voting at the Trust Scheme Meeting will be by poll. Instructions on how to attend and vote at the Trust Scheme Meeting are set out in Annexure H of this Scheme Booklet.

## d. Scheme Meeting

The Court has ordered Aveo to convene the Scheme Meeting at which Aveo Securityholders will be asked to approve the AGL Scheme.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure H of this Scheme Booklet. The Scheme Resolution is conditional upon the Trust Scheme Resolutions being approved.

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 Aveo Securityholders should vote. On these matters Aveo Securityholders must reach their own decision.

For the Scheme Resolution to be approved:

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

The entitlement of Aveo Securityholders to attend and vote at the Scheme Meeting is set out in the Notice of Scheme Meeting in Annexure H of this Scheme Booklet.

Instructions on how to attend and vote at the Scheme Meeting to be held on Wednesday, 6 November 2019 (in person, by proxy, or in person through an attorney or corporate representative) are set out in the Notice of Scheme Meeting.

## e. Results of the Scheme Meetings

The results of the Scheme Meetings will be available as soon as possible after the conclusion of the Scheme Meetings and will be announced to ASX ([www.asx.com.au](http://www.asx.com.au)) once available.

## f. Aveo Directors' recommendation

Voting is not compulsory. However, the Aveo Directors unanimously recommend that Aveo Securityholders vote in favour of the Schemes in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of the Aveo Securityholders. See section 7.8 for further information.

### g. Suspension from trading

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

### h. Court approval of the Scheme

In the event that:

- the Scheme Resolution is approved by the requisite majorities of Aveo Securityholders at the Scheme Meeting;
- the Trust Scheme Resolutions are approved by the requisite majorities of Aveo Securityholders at the Trust Scheme Meeting; and
- all Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (if they are capable of being waived),

then Aveo will apply to the Court for orders approving the AGL Scheme and giving of the Second Judicial Advice in respect of the Trust Scheme.

Each Aveo Securityholder has the right to appear at the Second Court Hearing.

### i. Effective Date

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

### j. Scheme Record Date and entitlement to Scheme Consideration

Those Aveo Securityholders on the Aveo Securities Register on the Scheme Record Date (currently proposed to be 21 November 2019) will be entitled to receive the Scheme Consideration in respect of the Aveo Securities they hold at that time.

### k. Implementation Date

Scheme Securityholders will be issued the Scheme Consideration on the Implementation Date (currently proposed to be 29 November 2019). Immediately after the Scheme Consideration is sent or issued to Scheme Securityholders, the Scheme Securities will be transferred to BidCo.

For those Scheme Securityholders who elect to receive the Scrip Consideration, a certificate or confirmation document will be issued no later than 5 Business Days after the Implementation Date to the Scheme Securityholder's Registered Address.

### l. Deed Poll

As at the date of this Scheme Booklet, a Deed Poll has been entered into by BidCo, TopCo and AOG L.P., in favour of the Scheme Securityholders, to:

- provide the Scheme Consideration to each Scheme Securityholder in accordance with the terms of the Schemes; and
- undertake all other actions attributed to it under the Schemes.

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

## 7.7 Provision of Scheme Consideration

### a. Provision of the Cash Consideration

If the Schemes are implemented, the Cash Consideration will be paid or issued to Scheme Securityholders on the Implementation Date. Scheme Securityholders who have validly registered their bank account details with the Aveo Securities Registry may have their Cash Consideration sent directly to their bank account. Otherwise, Scheme Securityholders will have their Cash Consideration sent by cheque to their Registered Address.

### b. Provision of the Scrip Consideration

On the Implementation Date and subject to the Scaleback Arrangements, AOG L.P. is required to issue AOG L.P. Units to each Scheme Securityholder who makes an Election for Scrip Consideration and procure that a certificate or confirmation document will be issued within 5 Business Days after the Implementation Date to the Scheme Securityholder's Registered Address.

For more information about the provision of the Scrip Consideration, please see section 9.

# 7. KEY FEATURES OF THE SCHEMES CONT

## 7.8 The Aveo Directors' unanimous recommendation

Based on the Cash Consideration, the Aveo Directors unanimously recommend that Aveo Securityholders vote in favour of the Schemes at the Scheme Meetings to be held on 6 November 2019 at 3.00pm (Sydney time), in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of, the Aveo Securityholders. The Aveo Directors make no recommendation in relation to the Scrip Consideration due to the speculative nature of the AOG L.P. Units and the fact that their appropriateness will depend significantly on the characteristics and risk profile of individual securityholders.

Mr Geoff Grady (Aveo's Chief Executive Officer and Executive Director) will, if the Schemes are implemented, become entitled to Aveo Securities under the terms of the Aveo Employee Share Scheme, as described in further detail in section 3.2 and 14.2. Aveo Securityholders should note this disclosed interest of Mr Grady when considering Mr Grady's recommendation on the Schemes, which appear throughout this Scheme Booklet.

**The Aveo Board makes no recommendation in relation to the Scrip Consideration, due to the speculative nature of the AOG L.P. Units and that whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor.**

**The Aveo Board notes that there are significant risks involved in an investment in the foreign unlisted AOG L.P. which is very different from holding the securities you currently have in Aveo as an ASX-listed company. Please see section 5.3 for factors Aveo Securityholders who are considering making an election for Scrip Consideration should take into account and section 11.4 for more information in relation to the risks associated with an investment in AOG L.P..**

In considering whether to vote in favour of the Schemes, the Aveo Directors encourage you to:

- carefully read all of this Scheme Booklet (including the Independent Expert's Report);
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain advice from your legal, financial, tax or other professional advisers on the effect of the Schemes becoming Effective.

Each Aveo Director's Relevant Interests are disclosed in section 13.1 of this Scheme Booklet.

## 7.9 Voting intentions of the Aveo Directors

The Aveo Directors intend to vote any Aveo Securities held by them at the Scheme Meetings on 6 November 2019 in favour of the Schemes, subject to the following matters:

- the absence of a Superior Proposal;
- the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders; and
- Mr Seng Huang Lee and Mr Eric Lee, who are nominee directors of Mulpha group on the Board of Aveo, make no representation as to the voting intentions of the Mulpha subsidiaries which hold stapled securities in Aveo, since Mulpha International Bhd is a listed entity on Bursa Malaysia and its board will need to consider the Scheme Booklet, in order to make a decision. However, Messrs Lee and Lee have confirmed to the Board of Aveo that, in respect of Mulpha's consideration of the Transaction, they intend to recommend and support a decision that Mulpha vote in favour of the Schemes. As at the date of this Scheme Booklet, Messrs. Lee and Lee have informed the Aveo Board that they have not yet made a decision on whether they will recommend that Mulpha subsidiaries elect to receive Cash Consideration or Scrip Consideration, as they consider it appropriate to discuss this with Mulpha once it has received a copy of the Scheme Booklet. Should Mulpha inform Aveo of its voting or consideration election intentions, Aveo will update the market accordingly.

Details of the Relevant Interests of each Aveo Director in Aveo Shares are set out in section 13.1 of this Scheme Booklet.

## 7.10 Independent Expert's conclusion

Aveo appointed KPMG Financial Advisory Services (Australia) Pty Ltd as an Independent Expert to review the Schemes and to provide an opinion on whether the Schemes are in the best interests of Aveo Securityholders.

The Independent Expert has assessed the value of an Aveo Security to be in the range of \$2.08 and \$2.39 per Aveo Security on a controlling interest basis. As the Cash Consideration of \$2.15 is within this range, the Independent Expert formed the view that the Schemes are fair. As the Independent Expert has assessed the Schemes to be fair, this means that they are reasonable. The Independent Expert also considered a range of other matters, including the advantages and disadvantages of the Scheme. Accordingly, the Independent Expert concluded that the Schemes are in the best interests of Aveo Securityholders, in the absence of a Superior Proposal.

Among other things, the Independent Expert has noted that:

- the Independent Expert did not have reference to the Scrip Consideration as part of their assessment of the fairness of the Schemes as the Cash Consideration is the default option, and it is considered to be fair, and made no conclusion in relation to the Scrip Consideration. If the Independent Expert had assessed the fairness of the Schemes based solely on the Scrip Consideration, the Independent Expert would likely have concluded that such a transaction was not fair;
- it is not possible to reliably estimate the value that might ultimately be realised by the AOG L.P. Units in the future. However, in the absence of an Exit or other liquidity event, the realisable value of the AOG L.P. Units would be expected to incorporate a substantial minority and marketability discount; and
- the Independent Expert also considered a number of disadvantages and risks associated with the Scrip Consideration, including the reduced shareholder rights and protections under the AOG L.P. Partnership Agreement, and also considered that the Cash Consideration allows Aveo Securityholders to immediately realise the value of their investment, providing certainty as to the pre-tax amount they will receive.

The reasons why the Independent Expert reached this conclusion are set out in the Independent Expert's Report, a copy of which is included in Annexure A of this Scheme Booklet. The Aveo Directors encourage Aveo Securityholders to read the Independent Expert's Report in full before deciding whether to vote in favour of the Schemes.

### 7.11 Implications if the Schemes do not proceed

If the Schemes are not implemented, and in the absence of a Superior Proposal being implemented:

- Aveo Securityholders will continue to hold Aveo Securities and will be exposed to general risks as well as risks specific to Aveo or the industries in which it operates, including those set out in section 11.3 of this Scheme Booklet;
- Aveo Securityholders will not receive the Scheme Consideration; and
- a break fee of \$13 million (excluding GST) may be payable by Aveo to BidCo under certain circumstances. Those circumstances will not include the failure by Aveo Securityholders to pass the Resolutions at the Scheme Meetings.

In the absence of a Superior Proposal, Aveo will continue as an ASX-listed company with management continuing to implement the business plan, and financial and operating strategies it had in place prior to Aveo's announcement of entry into the Scheme Implementation Deed on 14 August 2019.

If the Schemes are not implemented, the advantages of the Schemes described in section 5.1 of this Scheme Booklet will not be realised and the potential disadvantages and risks of the Schemes described in sections 5.2 and 11.4 of this Scheme Booklet will not arise.

Prior to the Scheme Meetings, costs will have been incurred, or committed to, by Aveo in relation to the Scheme. Those costs will be payable by Aveo regardless of whether or not the Schemes become Effective and are implemented. If the Schemes are not implemented, transaction related costs of approximately \$3.4 million (excluding GST) are expected to be incurred by Aveo – this assumes no break fee is payable by Aveo to BidCo (see section 14.1(e) of this Scheme Booklet for more information as to when such a break fee may be payable). These amounts do not include transaction or other similar costs that may be incurred by BidCo.

### 7.12 Copy of the Aveo Securities Register

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

### 7.13 Ineligible Foreign Securityholders

If you are an Ineligible Foreign Securityholder and you elect to receive the Scrip Consideration, your election will be invalid and have no effect, and you will receive the Cash Consideration for all your Aveo Securities if the Schemes becomes Effective and are implemented.

## 7. KEY FEATURES OF THE SCHEMES CONT

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### 7.14 Warranty by Scheme Securityholders

Under the terms of the Schemes, each Scheme Securityholder is deemed to have warranted to AGL, Aveo Funds RE and BidCo, and is deemed to have authorised AGL and Aveo Funds RE as its attorney and agent to warrant to BidCo, on the Implementation Date, that:

- all of their Scheme Securities (including any rights and entitlements attaching to those shares) which are transferred under the Schemes will, at the date of transfer, be fully paid and free from all Encumbrances; and
- they have full power and capacity to transfer their Scheme Securities to BidCo together with any rights and entitlements attaching to those securities.

Under the terms of the Schemes, AGL and Aveo Funds RE undertake that they will provide that warranty to BidCo as agent and attorney of each Scheme Securityholder.

### 7.15 Delisting of Aveo

Following the Implementation Date, on a date to be determined by BidCo, Aveo will apply for the termination of the official quotation of Aveo Securities on ASX and for Aveo to be removed from the official list of ASX.



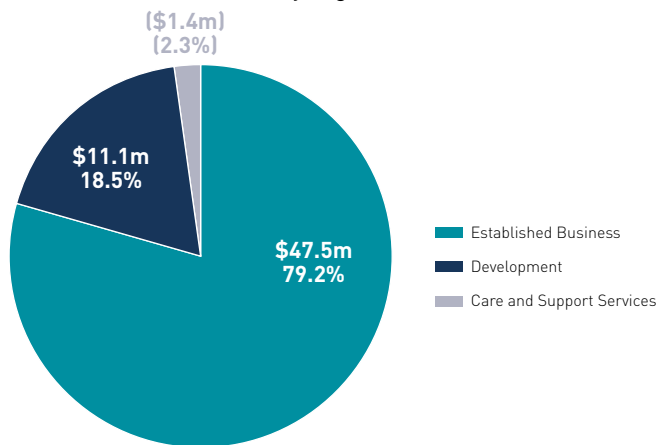
# 8. INFORMATION ON THE AVEO GROUP

## 8.1 Overview of Aveo

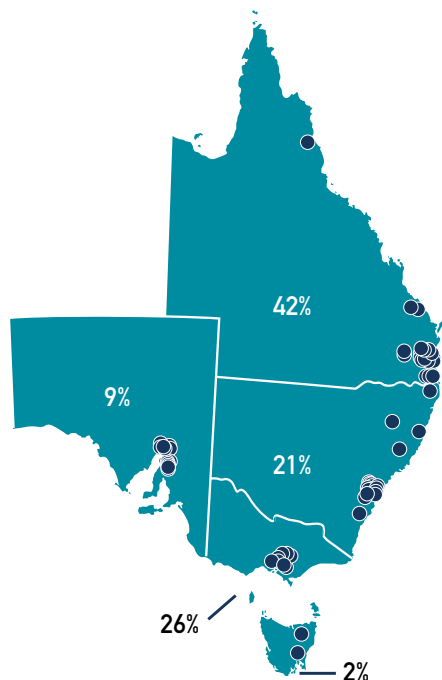
### a. Introduction

Aveo Group (ASX: AOG) is a leading owner, operator and manager of retirement communities across Australia. It is the only publicly listed, dedicated, for-profit retirement community operator in Australia, and is listed as a stapled security comprised of one share in Aveo Group Limited stapled to one unit in Aveo Group Trust.

FY19 Retirement EBITDA by segment



Aveo community locations



94 Villages



12,119 Dwellings



~14,000 Residents



Assets located on the Eastern Seaboard<sup>1</sup>

● Aveo RC locations

Aveo provides accommodation and care services to senior residents through its various offerings including independent living units, serviced apartments, Freedom Aged Care, and traditional residential aged care facilities.

The Group owns and operates its national retirement living portfolio through three primary business units: established business, development and care and support services.

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## 8. INFORMATION ON THE AVEO GROUP CONT

### b. Aveo's business

#### Established business

Aveo currently has 94 retirement communities under management, having built the portfolio via a combination of acquisitions, brownfield and greenfield developments and redevelopments. The portfolio consists of well-established retirement communities which are predominately located in prime metropolitan areas, and offer independent living units, serviced apartments and Freedom Aged Care accommodation types.

This established business generates profit through the resale of existing units to new incoming residents, the buyback and sale of units to new residents, and the buyback of Freedom conversion units. Across all accommodation types, the main revenue source for this established business is the deferred management fee and capital gain collected from residents upon exit and resale of unit to new incoming resident.

In 2015 as a response to industry specific customer demands, Aveo introduced the Aveo Way contract, which provides residents with additional certainty and clarity around the entry and exit of an Aveo retirement community. Since then, Aveo has expanded this offering to a suite of contracts options (Aveo Way, Aveo Certainty and Aveo Essentials), which are centred around providing customer-focused terms. This suite of contracts have been well received by the market, and form the basis of the standard contracts offered to incoming residents.

#### Aveo Way suite of contracts

Four contracts allow residents to access increased levels of flexibility and care

	Aveo Essentials	Aveo Way	Aveo Certainty <sup>2</sup>	Freedom Way
Maximum DMF rate	35%	35%	35%	35%
DMF accrual period	Five Years	Three Years	Three Years	Two years
Incremental DMF p.a.	(7%/7%/7%/7%/7%)	(15%/10%/10%)	(15%/10%/10%)	(20%/15%)
Money back guarantee	Within three months of entry	Within six months of entry	Within six months of entry	Within sixty days of entry
Buyback guarantee	Twelve months from departure	Six months from departure	Six months from departure	Twelve months from departure
Additional membership transfer benefits	NA	NA	<ul style="list-style-type: none"> <li>Transfer to a FAC unit with no extra DMF</li> <li>Transfer to nearest RACF</li> <li>Transfer to any similar unit in the Australian portfolio with no extra DMF</li> </ul>	<ul style="list-style-type: none"> <li>Transfer to another unit in the Aveo portfolio with a 10% discount on the subsequent ingoing contribution payable</li> </ul>
Membership cost	NA	NA	\$2,000 p.a. paid upon exit	NA

#### Development

Aveo's development business develops retirement products, recognising development margin as newly built units are completed, and realising cash flows as newly built units are settled. The business is based on the sale of new units and the sale of units undergoing substantial refurbishment and conversion to Freedom Aged Care. In FY19, margins (pre-interest) for the sale of new units exceeded the target range of 16%-20%, whilst margins for sale of units undergoing substantial refurbishment and conversion to Freedom Aged Care were at the top of the target range of 35%-40%.

### Delivery forecast for new units

Community	Category	State	Density	Units <sup>1</sup>	FY20	FY21+
Island Point	Brownfield	NSW	Low	54	25	29
Newcastle	Brownfield	NSW	Low	205	37	168
Bella Vista	Brownfield	NSW	High	400		400
Bentleigh	Redevelopment	VIC	Medium	43		43
Labrador	Greenfield	QLD	High	96		96
Carindale	Redevelopment	QLD	High	333		333
Mingarra	Redevelopment	VIC	Medium	180		180
Mowbray Links	Brownfield	TAS	Low	45		45
Newmarket	Redevelopment	QLD	Medium	258		258
Palmview	Brownfield	QLD	Low	100		100
Redland Bay	Brownfield	QLD	Low	24		24
Robertson Park	Redevelopment/Brownfield	QLD	Medium	138		138
Rochedale	Greenfield	QLD	Low	219		219
Sanctuary Cove	Greenfield	QLD	Low	163		163
Southport	Redevelopment	QLD	Medium	215		215
Springfield	Brownfield	QLD	Medium	2,204		2,204
Tamworth	Brownfield	NSW	Low	20		20
Tanah Merah	Brownfield	QLD	Medium	20		20
Major Development				4,717	62	4,655
Minor Development				646	125	521
<b>Total Retirement Development</b>				<b>5,363</b>	<b>187</b>	<b>5,176</b>

1. New units delivered for redevelopment projects is a gross figure which includes existing units that are subsequently redeveloped.

### Care and support services

The care and support services division consists of Aveo's portfolio of residential aged care facilities and delivers care and support services within Aveo. The aged care portfolio consists of five facilities with a total of 406 beds, and are collocated with Aveo's retirement communities. The average occupancy across the mature residential aged care facilities is 95.7%<sup>1</sup>.

Aveo's other care and support services include:

- an Allied Health business which provides occupational therapy and physiotherapy services;
- the Aveo Care at Home business which provides home care services to a number of Aveo's retirement communities and homes within the surrounding markets;
- a national food and nutrition offering which embraces the differing dietary requirements as residents age with Select Dining in 65 restaurants and Nutrition Select home food delivery to residents; and
- Aveo Connect which provides telecommunications services including phone and internet services, entertainment and enhanced monitoring.

1. Excluding the Newstead residential aged care facility that opened in May 2018.

## 8. INFORMATION ON THE AVEO GROUP CONT

### c. Aveo's strategy

Aveo's vision is to be Australia's leading and most innovative seniors living provider. The Aveo mission is to honour and serve residents through Kindness, Care and Respect.

Aveo is positioned for growth as the market leader as it aims to increase demand for its offerings by providing clarity, certainty and choice for residents through its different contract types, and delivering a continuum of care that enables residents to stay in an Aveo community as their care needs increase. Aveo also has growth potential through development, and its strategy is underpinned by a deep commitment to innovation for both existing and future residents. Integration of care remains key to Aveo's future strategy as the Group remains committed to increasing the value of its portfolio through the integration of tailored care services.

## 8.2 Board and senior management

### a. Aveo Board

The directors of Aveo (as at the Last Practicable Date) are listed below.

Name	Current position
Seng Huang Lee	Non-Executive Chairman
Geoff Grady	Executive Director and Chief Executive Officer
Diana Saw	Non-Executive Director
Jim Frayne	Non-Executive Director
Walter McDonald	Non-Executive Director
Eric Lee	Non-Executive Director
Kelvin Lo	Non-Executive Director

### b. Aveo senior management

Aveo's current senior management comprises the following members:

Name	Current position
Geoff Grady	Executive Director and Chief Executive Officer
David Hunt	Chief Financial Officer

## 8.3 Historical financial information

### a. Basis of preparation

This section sets out a summary of historical financial information in relation to AGL for the purposes of this Scheme Booklet. The financial information has been extracted from the 2017, 2018 and 2019 Financial Reports of AGL.

The historical financial information of AGL is presented in its abbreviated form and does not contain all disclosures, presentation, statements, noted or comparative that are usually provided in an annual report prepared in accordance with the Corporations Act. AGL considers that for the purposes of this Scheme Booklet the historical financial information presented in an abbreviated form is more meaningful to AGL.

The full financial accounts of AGL, including all notes to those accounts, can be found in:

- the AGL Appendix 4E and 2019 Financial Report (released to ASX on 28 August 2019);
- the AGL Appendix 4E and 2018 Financial Report (released to ASX on 15 August 2018); and
- the AGL Appendix 4E and 2017 Financial Report (released to ASX on 16 August 2017).

These documents are available on ASX's website ([www.asx.com.au](http://www.asx.com.au)) and Aveo's website (<https://www.aveo.com.au/investors/asx-announcements/>).

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b. Historical consolidated statement of profit or loss

	Note	FY2019 \$m	FY2018 \$m	FY2017 \$m
Sale of goods		95.8	178.4	255.7
Revenue from rendering of services		173.3	241.4	189.6
Other revenue	1	5.7	5.5	4.2
<b>Revenue</b>		<b>274.8</b>	<b>425.3</b>	<b>449.5</b>
Cost of sales		(124.1)	(186.9)	(219.6)
<b>Gross profit</b>		<b>150.7</b>	<b>238.4</b>	<b>229.9</b>
Change in fair value of investment properties	3	(388.1)	322.0	147.7
Change in fair value of resident loans		94.1	(35.5)	(0.1)
Change in fair value of financial liabilities		2.2	11.1	5.4
Employee expenses		(57.0)	(57.1)	(55.2)
Marketing expenses		(33.0)	(31.4)	(24.9)
Occupancy expenses		(3.6)	(3.9)	(1.5)
Property expenses		(0.2)	(2.3)	(4.1)
Administration expenses		(23.9)	(19.1)	(18.4)
Net gain on business combination		-	1.5	52.6
Inventory write-down to net realisable value		(5.6)	-	-
Finance costs		(18.3)	(4.3)	(1.9)
Other expenses	2	(24.6)	(9.8)	(17.0)
Share of net gain/(loss) of associates and joint ventures accounted for using the equity method	4	0.1	0.8	(5.5)
<b>(Loss)/profit from continuing operations before income tax</b>		<b>(307.2)</b>	<b>410.4</b>	<b>307.0</b>
Income tax benefit/(expense)		86.5	(44.2)	(54.8)
<b>(Loss)/profit for the year</b>		<b>(220.7)</b>	<b>366.2</b>	<b>252.2</b>
(Loss)/profit for the year is attributable to:				
Owners of Aveo Group Limited		(230.9)	348.5	242.7
Non-controlling interests – owners of Aveo Group Trust	5	17.5	16.6	10.1
<b>Net (loss)/profit after tax attributable to stapled securityholders of the Group</b>		<b>(213.4)</b>	<b>365.1</b>	<b>252.8</b>
Other non-controlling interests	6	(7.3)	1.1	(0.6)
		<b>(220.7)</b>	<b>366.2</b>	<b>252.2</b>

## 8. INFORMATION ON THE AVEO GROUP CONT

### c. Historical consolidated statement of financial position

	Note	FY2019 \$m	FY2018 \$m	FY2017 \$m
<b>Assets</b>				
Cash and cash equivalents		53.3	71.0	47.2
Receivables and Other Assets	7	177.8	247.2	114.6
Inventories		81.4	95.2	170.3
Property, plant and equipment		143.8	138.5	89.6
Investment properties	8	6,117.7	6,158.9	5,505.5
Investments	9	-	-	23.2
Intangible assets		3.2	4.8	4.7
Derivative Assets	10	1.0	-	-
Other assets				
<b>Total assets</b>		<b>6,578.2</b>	<b>6,715.6</b>	<b>5,955.1</b>
<b>Liabilities</b>				
Payables		228.5	238.0	185.9
Provisions		40.5	65.6	60.6
Interest bearing loans and borrowings	11	787.5	687.7	573.1
Deferred revenue		329.0	266.8	204.2
Resident loans	12	3,029.8	2,960.6	2,797.7
Deferred tax liabilities		112.6	198.8	154.9
<b>Total liabilities</b>		<b>4,527.9</b>	<b>4,417.5</b>	<b>3,976.4</b>
<b>NET ASSETS</b>		<b>2,050.3</b>	<b>2,298.1</b>	<b>1,978.7</b>
<b>Equity</b>				
Contributed equity		1,266.0	1,262.2	1,262.6
Reserves		(10.8)	(4.1)	(9.6)
Retained profits/(accumulated losses)		262.9	493.8	145.3
<b>Total equity attributable to securityholders</b>		<b>1,518.1</b>	<b>1,751.9</b>	<b>1,398.3</b>
<b>Non-controlling interests</b>				
Aveo Group Trust		507.7	514.4	549.7
Other non-controlling interests		24.5	31.8	30.7
<b>Total equity attributable to non-controlling interests</b>		<b>532.2</b>	<b>546.2</b>	<b>580.4</b>
<b>TOTAL EQUITY</b>		<b>2,050.3</b>	<b>2,298.1</b>	<b>1,978.7</b>



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d. Historical consolidated statement of cash flows

	FY2019 \$m	FY2018 \$m	FY2017 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers	445.2	360.6	497.8
Payments to suppliers and employees	(289.2)	(237.4)	(232.9)
<b>Net receipts and payments</b>	<b>156.0</b>	<b>123.2</b>	<b>264.9</b>
Interest received	0.4	1.4	0.6
Finance costs including interest and other costs of finance paid	(22.4)	(22.8)	(11.3)
Dividends and distributions received	0.4	0.2	0.1
GST recovered/(paid)	1.7	0.8	(11.5)
<b>Net cash flows from operating activities</b>	<b>136.1</b>	<b>102.8</b>	<b>242.8</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	(8.7)	(31.2)	(59.1)
Payments for intangible assets	(1.0)	(2.3)	(2.1)
Payments for investment properties	(202.2)	(285.1)	(287.7)
Proceeds from the sale of investment properties	9.5	218.5	-
Payments for equity-accounted investments	-	-	-
Proceeds from sale of equity-accounted investments	9.8	5.0	-
Payments for acquisition of non-controlling interests	-	-	(0.8)
Payments for acquisition of subsidiaries	-	(2.6)	(61.5)
Repayment of loans by related parties	-	-	-
<b>Net cash flows (used in)/from investing activities</b>	<b>(192.6)</b>	<b>(97.7)</b>	<b>(411.2)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of securities	-	-	126.1
Costs associated with issue of securities	-	-	(1.9)
Payments for acquisition of treasury securities and securities bought back	(0.2)	(2.3)	(10.7)
Dividends and distributions paid	(51.9)	(51.9)	(43.5)
Payments for convertible bond buybacks	-	-	-
Proceeds from borrowings	299.8	539.8	413.6
Repayment of borrowings	(208.9)	(466.9)	(302.9)
<b>Net cash flows from/(used in) financing activities</b>	<b>38.8</b>	<b>18.7</b>	<b>180.7</b>
Net (decrease)/increase in cash and cash equivalents	(17.7)	23.8	12.3
Cash and cash equivalents at the beginning of the year	71.0	47.2	34.9
<b>Cash and cash equivalents at the end of the year</b>	<b>53.3</b>	<b>71.0</b>	<b>47.2</b>

## 8. INFORMATION ON THE AVEO GROUP CONT

### e. Notes to financial statements

#### 1. *Other Revenue*

Other revenue includes interest revenue, management fees received (ceasing in FY17) and other immaterial revenue streams.

#### 2. *Other Expenses*

Other expenses relate to overhead costs, stamp duty charges, and fees related to professional services.

#### 3. *Change in Fair Value of Investment Properties*

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held to produce rental income and capital appreciation. Fair value has been determined by Directors' valuation using the discounted cash flow valuation methodology.

#### 4. *Share of net gain/(loss) of associates and joint ventures accounted for using the equity method*

AGL currently holds ownership stakes in MobileRehab (50%), and PhysioCo (50%). Previously, AGL has also held shares in Think Future (30%) and US Seniors (50%).

During FY18 Aveo disposed of its holdings in Think Future (Aveo China) and acquired the remaining 50% stake in US Seniors.

Therefore, as at 30 June 2019 the only remaining associates are PhysioCo and MobileRehab.

#### 5. *Non-controlling Interests – Owners of Aveo Group Trust*

Relates to the result of the Aveo Group Trust. Aveo Group is a stapled group consisting Aveo Group Limited (ABN 28 010 729 950) and its controlled entities and Aveo Group Trust (ARSN 099 648 754), the Responsible Entity of which is Aveo Funds Management Limited (ABN 17 089 800 082), and its controlled entities.

#### 6. *Other non-controlling interests*

Aveo Healthcare Limited, a subsidiary of Aveo, holds a 86.58% interest in the Clayfield and Cleveland Syndicates.

Aveo holds a 55% interest in Peregrine Springs Golf Holdings. The other non-controlling interest result relates to the performance of these entities.

#### 7. *Receivables and Other Current Assets*

Aveo's receivables relate to receivables from residents and real estate debtors. Other assets relate to prepayments and other immaterial assets.

#### 8. *Investment Property*

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held to produce rental income and capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, being the estimated price that would be received on sale in an orderly transaction between market participants at the reporting date.

#### 9. *Investments*

In FY17, AGL held shares in Think Future (30%) and US Seniors (50%), which were accounted for as investments.

During FY18, AGL disposed of its holdings in Think Future (Aveo China) and acquired the remaining 50% stake in US Seniors.

#### 10. *Derivative Assets*

Aveo has a significant concentration of foreign exchange risk associated with the long term debt facility, denominated in USD. During FY19, Aveo has taken out a forward contract, with a life of less than one year, to manage this risk. Aveo has not adopted hedge accounting.

#### 11. *Interest Bearing Loans*

On 6 August 2018, the AGL syndicated facility limits were increased by \$77.5 million to \$630 million and the facility maturity date was extended to July 2021.

On 31 August 2018, the maturity date on the debt facility that was listed as current at 30 June 2018 was extended to March 2020. The facility limit on this loan is \$100 million.

On 20 December 2018, the remaining debt facility of \$30.9 million at 30 June 2018 was repaid. AGL secured a new loan with a facility limit of \$57.6 million and a maturity date of 21 December 2019. This facility is denominated in United States dollars. Aveo entered into a forward contract of \$20 million USD to serve as a natural hedge for foreign currency risk related to this loan. Aveo does not apply hedge accounting in relation to the derivative.

## 12. Resident Loans

Resident loans are non-interest bearing and are payable at the end of the resident contract. Resident loans are classified as financial liabilities at fair value through profit and loss with resulting fair value adjustments recognised in the income statement. Fair value is the amount payable on demand and is measured at the principal amount plus the residents' share of any increases in market value to reporting date less deferred management fees contractually accruing to reporting date.

### f. Material changes in financial position (since 30 June 2019)

Other than:

- the accumulation of earnings in the ordinary course of trading;
- the Aveo Healthcare Limited \$100 million facility maturity date was extended to 31 December 2020 on 23 August 2019; and
- as disclosed in this Scheme Booklet or as otherwise disclosed to ASX by Aveo,

within the knowledge of the Aveo Board, the financial position of Aveo has not materially changed since 30 June 2019, being the date of the Aveo financial statements for the year ended 30 June 2019 (released to ASX on 28 August 2019).

Aveo Shareholders may obtain a copy of the Appendix 4E and 2019 Financial Report (released to ASX on 28 August 2019) from ASX's website ([www.asx.com.au](http://www.asx.com.au)), from Aveo's website (<https://www.aveo.com.au/investors/asx-announcements/>), or by calling the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.

Further information about Aveo's financial performance is set out in the Independent Expert's Report which forms Annexure A to this Scheme Booklet.

## 8.4 Capital management

All covenants have been met as at 30 June 2019.

Capacity through undrawn committed lines and cash at bank is expected to increase as sell down of new retirement units are settled and the commencement of future retirement development is delayed until residential market conditions improve.

Reported gearing as at 30 June 2019 is 21.3%, which is slightly above the preferred range of 10% to 20%, but is expected to be back in line during FY 2020 as previously delivered new stock is settled.

Capital Management Metrics	FY19
Reported gearing (<30.0%)	21.3%
Group ICR (>2.0x)	2.55x
Interest bearing liabilities	\$787.5m
Less: cash	\$53.3m
<b>Net debt</b>	<b>\$734.2m</b>
Undrawn committed lines and cash at bank <sup>1</sup>	\$53.8m
Weighted average AUD borrowing cost	3.2%
Weighted average total borrowing cost <sup>2</sup>	3.8%
Weighted average debt maturity	2.0 years

<sup>1</sup> Undrawn facilities are dependent on having sufficient security.

<sup>2</sup> Includes all AUD and USD debt.

## 8. INFORMATION ON THE AVEO GROUP CONT

### 8.5 Capital structure

As at the date of this Scheme Booklet, the issued securities of Aveo are as follows:

Type of security	Number on issue
Ordinary securities fully paid	580,737,672
Aveo Incentives <sup>1</sup>	2,883,465

<sup>1</sup> The Aveo Incentives under the Aveo Employee Share Scheme, collectively are capable of being converted into not more than 5,283,653 Aveo Securities and will be dealt with in the manner described in section 14.2, such that on the Implementation Date, there will be no more than 580,737,672 Aveo Securities on issue.

Additional details about the Aveo Incentives are set out in section 14.2 of this Scheme Booklet.

### 8.6 Aveo's Substantial Securityholders

As extracted from filings released on ASX, in each case prior to the Last Practicable Date, the following persons were substantial holders of Aveo Securities:

Substantial holder	Number of Aveo Securities	Voting power	Effective date
Mulpha Group	141,615,220	24.39%	28 November 2018
UBS Group and its related bodies corporate	34,822,792	6.00%	14 August 2019

Omni Partners has disclosed, in a substantial holder notice, a position through Contract for Difference Contracts through UBS, relating to 29,585,262 Aveo Securities comprising 5.09%.

### 8.7 Recent security price performance

The closing price for Aveo securities on 12 February 2019 was \$1.71, being the last undisturbed closing security price prior to Aveo updating the market on 13 February 2019 that it had received a number of indicative non-binding bids from parties interested in a whole of company transaction as part of Aveo's strategic review. The VWAP for an Aveo security in the lead up to the announcement on 12 February 2019 was:

- \$1.62 for the 1-month ended 12 February 2019;
- \$1.63 for the 3-months ended 12 February 2019;
- \$1.88 for the 6-months ended 12 February 2019; and
- \$2.11 for the 12-months ended 12 February 2019.

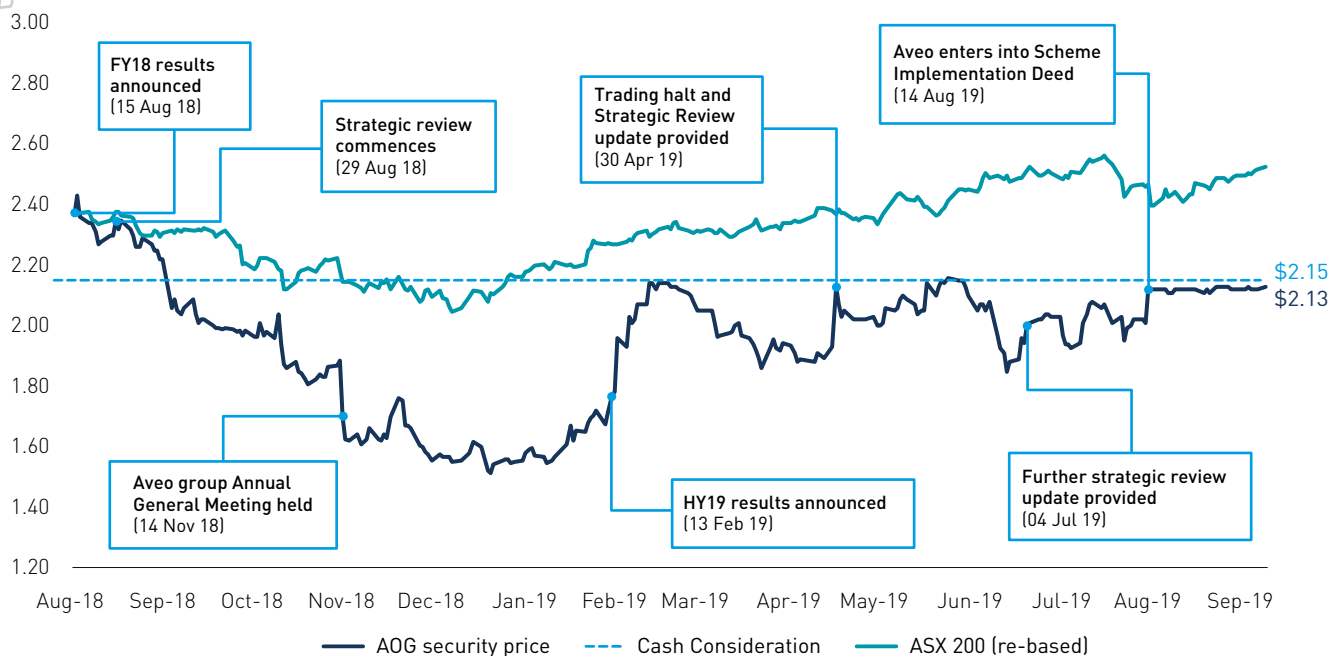
Entry into the Scheme Implementation Deed was announced to the market on Wednesday 14 August 2019.

The last recorded closing price for Aveo securities on ASX before that announcement was \$2.01 (on 13 August 2019). On the day of Aveo's announcement of entry into the Scheme Implementation Deed on 14 August 2019, the Aveo security price closed at \$2.12.

The following chart highlights the movements in the Aveo security price since the announcement of a strategic review at the FY18 results on 15 August 2018.

The closing price of Aveo securities on ASX on the Last Practicable Date was \$2.13.

**AOG security price performance since announcement of strategic review at FY18 results (15 August 2018)**



### 8.8 Risks

If the Schemes do not proceed, Aveo will continue to be subject to a number of risks and uncertainties. One or more or a combination of these risks could materially impact the Aveo’s businesses, its operating and financial performance, the price of Aveo Securities or any dividends which might be paid in respect of Aveo Securities.

You should carefully consider the risk factors described in section 11, as well as the other information contained in this Scheme Booklet before voting on the Schemes. You should also consult the appropriate legal, financial, tax or other professional advisers on the effect of the Schemes becoming Effective.

### 8.9 Publicly available information about Aveo

Aveo 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, Aveo is subject to Listing Rules which require (subject to some exceptions) continuous disclosure of any information that Aveo has that a reasonable person would expect to have a material effect on the price or value of Aveo shares.

ASX maintains files containing publicly disclosed information about all entities listed on ASX. Information disclosed to ASX by Aveo is available on ASX’s website at [www.asx.com.au](http://www.asx.com.au).

In addition, Aveo is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Aveo may be obtained by an ASIC office.

Aveo Securityholders may obtain a copy of Aveo’s 2019 Annual Report (including its audited financial statements in respect of the year ended 30 June 2019) from ASX’s website ([www.asx.com.au](http://www.asx.com.au)), from Aveo’s website ([www.aveo.com.au](http://www.aveo.com.au)) or free of charge by calling the Aveo Securityholder Information Line 1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.

## 8. INFORMATION ON THE AVEO GROUP CONT

Aveo's announcements to ASX after the lodgement with ASX of its financial statement for FY2019 to the Last Practicable Date are listed in the table below.

### Aveo ASX announcements since 28 August 2019

This table does not contain announcements on ASX relating to substantial shareholder notices.

Date	Announcement
30 August 2019	Annual Taxation Statement
24 September 2019	Final share buy-back notice – Appendix 3F

### 8.10 Regulatory and litigation

#### a. Royal Commission into Aged Care Quality and Safety

The Royal Commission into Aged Care Quality and Safety was established on 8 October 2018. The Honourable Richard Tracey AM RFD QC and Ms Lynelle Briggs AO have been appointed as Royal Commissioners. The Commissioners are required to provide their interim report by 31 October 2019, and a final report by 30 April 2020.

The Royal Commission was opened on 18 January 2019, where interested members of the public were invited to make written submissions. Public hearings commenced in Adelaide in February 2019 and are set to continue until April 2020.

The Royal Commission into Aged Care Quality and Safety will focus on Commonwealth funded residential aged care and home care for seniors. The inquiry will also cover care provided to young people with disabilities residing in residential aged care. Other forms of seniors living, such as retirement villages, are not within the scope of the Terms of Reference.

Aveo has not had any further involvement with the Royal Commission since its submission on 8 February 2019. At this stage, it is unclear as to whether Aveo will be called before the Royal Commission.

#### b. Class Action

Aveo is currently the respondent to a class action, filed in the Federal Court of Australia on 15 September 2017, in which certain current and former residents of Aveo retirement villages allege that changes to resident management agreements with the introduction of the Aveo Way program, in particular changes to the right to retain any capital gains and changes to the deferred management fee payable on exiting the village, resulted in or will result in the residents achieving a lower sale price for their properties.

Initially the claim was limited to residents who own or have owned freehold title in relevant Aveo retirement villages where the Aveo Way was introduced. On 30 July 2019, the Federal Court of Australia granted the applicants leave to amend the claim to include residents who have or had a licence to occupy or leasehold interest in Aveo retirement villages where the Aveo Way program was introduced. The claim has been commenced as an open class action and the precise number of class members is presently unknown, although the class action may apply to up to 78 retirement villages who have adopted the Aveo Way program. No substantive evidence has been filed by any party and the applicants have not quantified either the lead applicants' claims or the total quantum of the claims of all class members. The residents' claim is being funded by Galactic Litigation Partners LLC, a US litigation funder.

Aveo has proposed that the Court determine as a preliminary question whether the group members have suffered any loss as alleged. If the court agrees with that proposal, the hearing of the preliminary question is likely to take place in the first half of 2020. If not, it is expected that the matter will be listed for final hearing in late 2020. The next case management hearing will be on 1 October 2019.

# 9. INFORMATION ABOUT BROOKFIELD, BIDCO, HOLDCO, TOPCO AND AOG L.P.

This section 9 has been prepared by BidCo. The information concerning TopCo, HoldCo, BidCo, Brookfield, AOG L.P. and the views and opinions contained in this section 9 are the responsibility of BidCo.

## 9.1 Ownership structure

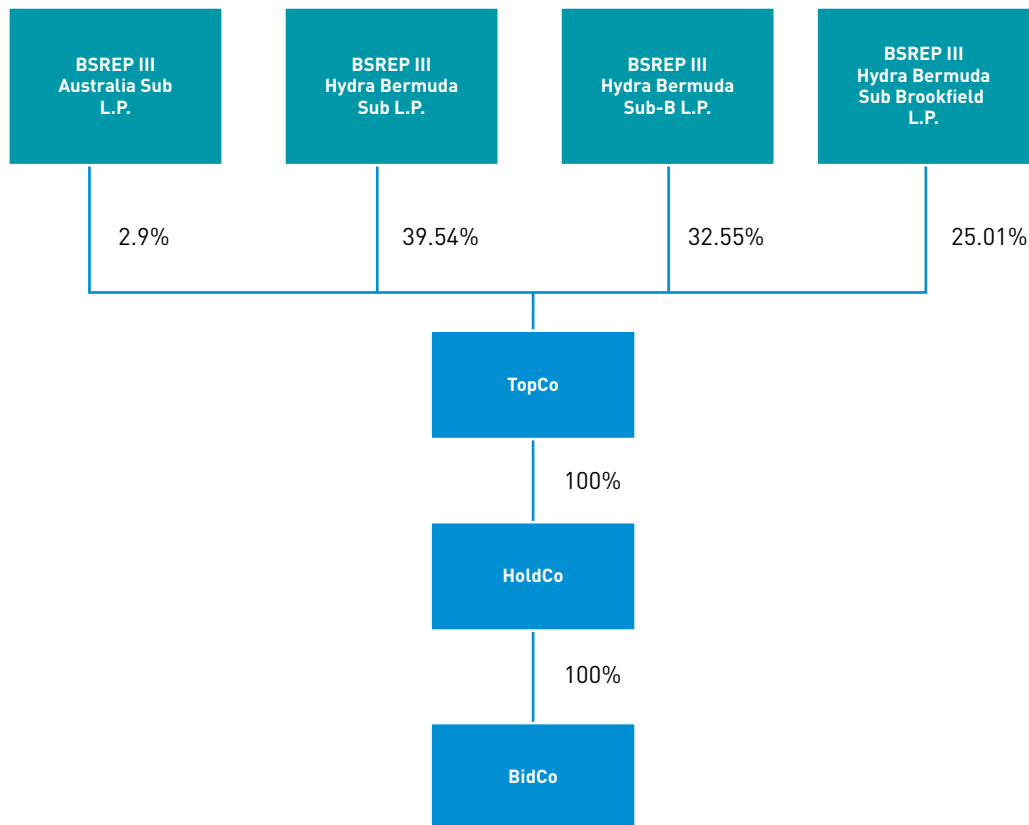
### a. Before implementation of the Schemes

As at the date of this Scheme Booklet, there are only TopCo Class A Shares on issue in TopCo, held as follows:

Shareholder (each a Brookfield AIV and together the Brookfield AIVs)	Percentage of TopCo Class A Shares held
BSREP III Australia Sub GP Pty Ltd as general partner of BSREP III Australia Sub Limited Partnership, an Australian limited partnership	2.90%
BSREP III Bermuda GP of GP Limited as general partner of BSREP III Bermuda GP L.P. as general partner of BSREP III Hydra Bermuda Sub Brookfield L.P., a Bermuda limited partnership	25.01%
BSREP III Bermuda GP of GP Limited as general partner of BSREP III Bermuda GP L.P. as general partner of BSREP III Hydra Bermuda Sub L.P., a Bermuda limited partnership	39.54%
BSREP III Bermuda GP of GP Limited as general partner of BSREP III Bermuda GP L.P. as general partner of BSREP III Hydra Bermuda Sub-B L.P., a Bermuda limited partnership	32.55%
<b>Total</b>	<b>100.00%</b>

Each Brookfield AIV is ultimately controlled by Brookfield.

TopCo is an Australian proprietary limited company which indirectly wholly owns BidCo as depicted in the structure chart below.





## 9. INFORMATION ABOUT BROOKFIELD, BIDCO, HOLDCO, TOPCO AND AOG L.P. CONT

### b. After implementation of the Schemes

If the Schemes are implemented, Aveo Securityholders will be entitled to receive either:

- the Cash Consideration of \$2.15 cash (not including of the Aveo Permitted Distribution) per Aveo Security held at the Scheme Record Date; or
- if they make a Scrip Election and other conditions are satisfied, the Scrip Consideration (see section 7.4 for further details).

Aveo Securityholders that make a Scrip Election will receive, subject to the Minimum Scrip Consideration Threshold being achieved and Scaleback Arrangements, 2.15 units in AOG L.P., a foreign limited partnership, for each one Aveo Security they hold on the Scheme Record Date. AOG L.P. will, in turn, hold TopCo Class B Shares and TopCo Class B1 Notes in TopCo (and accordingly Scheme Securityholders who elect the Scrip Consideration will hold their indirect interest in TopCo and Aveo through AOG L.P.). A summary of the rights and liabilities attaching to the AOG L.P. Units is contained in section 10.1. The final split between TopCo Class B Shares and TopCo Class B1 Notes is to be confirmed prior to the implementation of the Schemes.

The Brookfield AIVs will own no less than 70% of TopCo on implementation of the Schemes. There will be a scaleback if the aggregate amount of Scrip Elections will result in Scheme Securityholders owning more than 30% of TopCo (indirectly through AOG L.P.) such that the Brookfield AIVs will own no less than 70% of TopCo on implementation of the Schemes. Any scaleback of Aveo Securityholders will be conducted on a pro rata basis. See section 7.4(b) for further detail on the Scaleback Arrangements.

If the Schemes are implemented, TopCo will have two classes of shares on issue:

- TopCo Class A Shares; and
- TopCo Class B Shares.

As at the date of this Scheme Booklet, no decision has been made with respect to the value of the TopCo Class A1 Notes to be issued to the Brookfield AIVs or to the value of the TopCo Class B1 Notes to be issued to AOG L.P.. As set out in section 10.3, the pro forma financial statements of TopCo assume that:

- \$300 million of TopCo's capital will be contributed by way of TopCo Class A1 Notes (as to \$210 million) and TopCo Class B1 Notes (as to \$90 million).
- \$851 million of TopCo's capital will be contributed by way of TopCo Class A1 Shares (as to \$596 million) and TopCo Class B1 Shares (as to \$255 million).

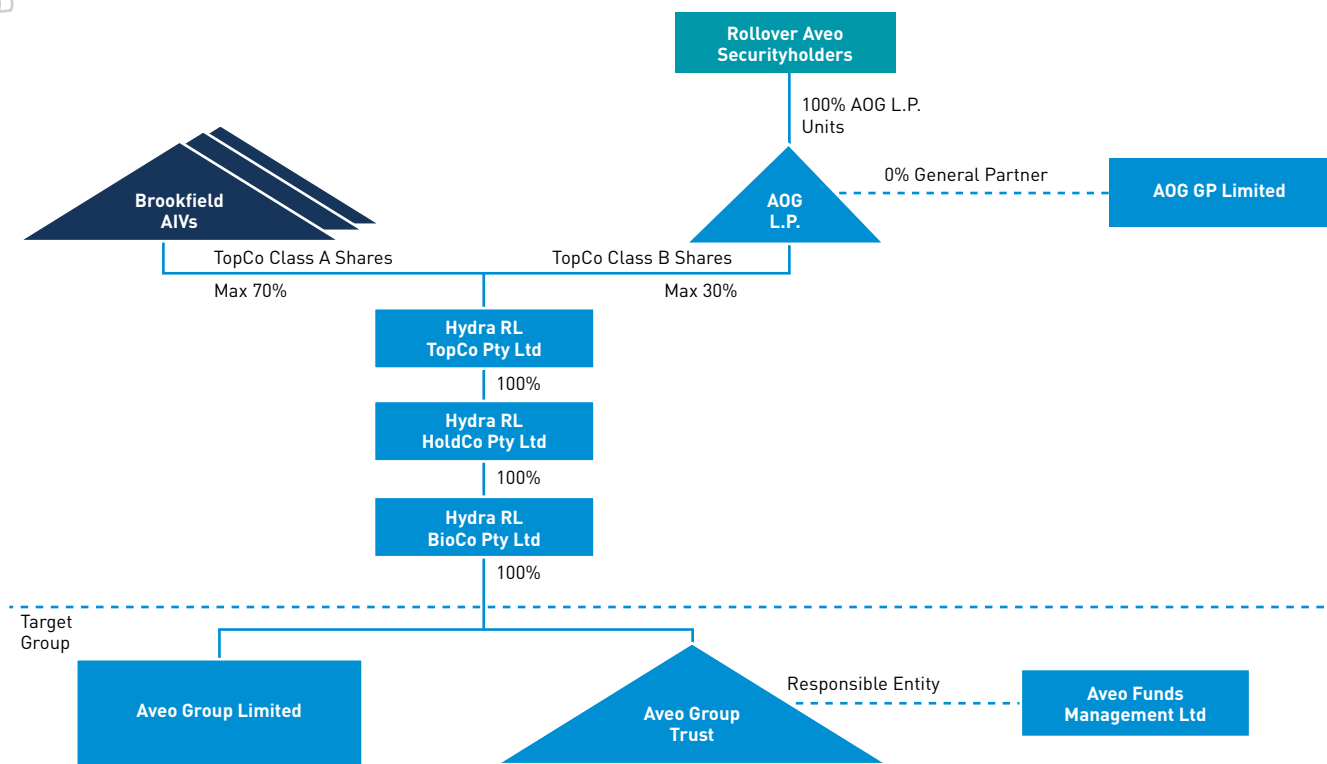
The actual allocation of capital to be contributed to TopCo by the Brookfield AIVs and AOG L.P. as between TopCo Shares and TopCo Notes will be determined prior to implementation of the Schemes, however it is currently anticipated that the allocations will be within the following indicative ranges:

- between \$300 million and \$500 million will be contributed by way of TopCo Notes; and
- between \$651 million and \$851 million will be contributed by way of TopCo Shares.

The assumed allocation set out in the pro forma financial statements of TopCo in section 10.3 is for illustrative purposes only. A summary of the terms and ranking of the TopCo Class B1 Notes is set out in section 10.1.

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Set out below is an illustrative post-implementation structure chart for the Scrip Consideration Group.



## 9.2 Overview of Brookfield

Brookfield Asset Management Inc. (**Brookfield**) is a leading global alternative asset manager with over US\$385 billion in assets under management. Brookfield has a 120-year history of owning and operating assets with a focus on real estate, renewable power, infrastructure and private equity.

As one of the largest global investors in real estate, Brookfield manages an irreplaceable portfolio of iconic properties located in the most dynamic and resilient markets around the world. Brookfield’s focus is on high-quality assets acquired on a value basis, which allows Brookfield to drive investment performance through active operational improvements and add meaningful value post-acquisition.

In Australia, Brookfield has almost 22,500 operating employees across multiple sectors including real estate, infrastructure, construction and healthcare services.

Further information on Brookfield is available at [www.brookfield.com](http://www.brookfield.com).

## 9.3 Overview of TopCo

TopCo is a special purpose Australian proprietary limited company that was incorporated for the purpose of:

- indirectly holding all the shares in BidCo; and
- issuing TopCo Class A Shares and TopCo Class A Loan Notes to the Brookfield AIVs; and
- issuing TopCo Class B Shares and TopCo Class B Loan Notes to AOG L.P..

TopCo has not commenced trading or conducted business and does not own any assets or have any liabilities, other than in connection with its incorporation, the entry into the transaction documents in connection with the Schemes, entering into certain financing arrangements and the taking of such other actions as are necessary to facilitate the Schemes (including actions in relation to the incurrance of costs, fees and expenses in connection with the Schemes).

The affairs of TopCo are regulated by the TopCo Shareholders’ Deed and the TopCo Constitution, which are attached to this Scheme Booklet as Annexure E and Annexure F. A summary of the rights and liabilities attaching to the TopCo Class B Shares under the TopCo Constitution and the TopCo Shareholders’ Deed are set out in section 10.1.

# 9. INFORMATION ABOUT BROOKFIELD, BIDCO, HOLDCO, TOPCO AND AOG L.P. CONT

## 9.4 Overview of HoldCo

HoldCo is a special purpose Australian proprietary limited company that was incorporated for the purpose of holding the shares in BidCo and entering into certain financing arrangements.

HoldCo has not commenced trading or conducted business and does not own any assets or have any liabilities, other than in connection with its incorporation and the taking of any actions as are necessary to facilitate the Schemes (including the actions in relation to the incurrence of costs, fees and expenses in connection with the Schemes).

## 9.5 Overview of BidCo

BidCo is a special purpose Australian proprietary limited company that was incorporated for the purpose of acquiring the Aveo Securities via the Schemes.

BidCo has not commenced trading or conducted business and does not own any assets or have any liabilities, other than in connection with its incorporation, the entry into the transaction documents in connection with the Schemes, entering into certain financing arrangements and the taking of such other actions as are necessary to facilitate the Schemes (including the actions in relation to the incurrence of costs, fees and expenses in connection with the Schemes).

## 9.6 Overview of AOG L.P.

AOG L.P. is a special purpose limited partnership without separate legal personality that is formed in Bermuda. It was formed for the purpose of:

- holding all the TopCo Class B Securities; and
- issuing AOG L.P. B1 Units, AOG L.P. B2 Units and AOG L.P. B2 Notes to AOG L.P. Limited Partners.

On implementation of the Schemes, AOG L.P. will issue AOG L.P. B1 Units to Aveo Securityholders who make a valid Scrip Election.

The number of AOG L.P. B1 Units on issue will be equal to the number of TopCo Class B1 Shares issued to AOG L.P. under the Schemes.

AOG L.P. has not commenced trading or conducted business and does not own any assets or have any liabilities, other than in connection with its formation, the entry into transaction documents in connection with the Schemes and the taking of such other actions as are necessary to facilitate the Schemes.

The affairs of AOG L.P. are regulated by the AOG L.P. Partnership Agreement which is attached to this Scheme Booklet as Annexure G.

The management of AOG L.P. is undertaken by the AOG L.P. General Partner, a Bermuda exempted company limited by shares. References to AOG L.P. taking any action, inaction, determination, decision or otherwise should be construed accordingly. Similarly, references to the AOG L.P. General Partner taking any action, inaction, determination, decision or otherwise should be construed as the AOG L.P. General Partner acting in its capacity as general partner of AOG L.P.. Each Aveo Securityholder who receives AOG L.P. Units as Scrip Consideration will become parties to the AOG L.P. Partnership Agreement. This will occur pursuant to the Schemes, under which each eligible Aveo Securityholder who elects to receive Scrip Consideration agrees to become a limited partner of AOG L.P. and to be bound by the terms of the AOG L.P. Partnership Agreement.

A summary of the rights and liabilities attaching to AOG L.P. Securities under the AOG L.P. Partnership Agreement is set out in section 10.

## 9.7 Brookfield Nominated Director Profiles

### a. TopCo Directors

As at the date of this Scheme Booklet the TopCo directors are Sophie Fallman, Shane Ross, Nicholas Britten-Jones, Ruban Kaneshamoorthy and Igor Merkin.

The profiles of these directors are set out below.

Name	Profile
<b>Sophie Fallman</b>	Ms Fallman is a Managing Partner of Brookfield Asset Management and Head of Brookfield Property Group in Australia. In this role, Ms Fallman is responsible for overseeing all of Brookfield's real estate activities, including investments, asset portfolio management and new fund formation. Ms Fallman previously served as the Chief Operating Officer of Brookfield's private real estate funds in New York, where she was responsible for fund operations, portfolio management and investor relations, as well as pursuing strategic fund initiatives for Brookfield globally. Prior to joining Brookfield in 2010, she gained experience in funds and asset management at Investa Property Group in Sydney. Ms Fallman holds a Bachelor of Architecture degree from RMIT University and a Master of Finance from the Financial Services Institute of Australasia, and has completed the Program for Leadership Development at Harvard Business School.
<b>Shane Ross</b>	Mr Ross is Head of Portfolio Management for Brookfield Property Group in Australia. In this role, Mr Ross is responsible for the strategic management of the Brookfield Property Group's existing property portfolio, as well as ongoing acquisitions, dispositions and the management of real estate within the group to optimize value for Brookfield and its investors. He previously served for a number of years as Chief Financial Officer and Group Treasurer at Brookfield Australia. Prior to joining Brookfield in 2003, Mr Ross held a number of roles in the banking and finance sector. Mr Ross holds a Bachelor of Business degree from Edith Cowan University and is a member of the Finance and Treasury Association.
<b>Nicholas Britten-Jones</b>	Mr Britten-Jones is the Head of Legal for the Brookfield Property Group in Australia. In this role, Mr Britten-Jones provides legal support for deal structuring and execution across Brookfield Property Group's activities in the region, as well as oversight of the group's legal and corporate secretarial functions. Prior to joining Brookfield in 2012, he held roles as a Senior Associate at Herbert Smith Freehills and as a Managing Associate at Linklaters in London. Mr Britten-Jones holds a Bachelor of Commerce and Bachelor of Laws (Hons) degrees from Flinders University, a Graduate Diploma of Applied Finance & Investment from the Financial Services Institute of Australasia, and is a member of the Law Society of New South Wales.
<b>Ruban Kaneshamoorthy</b>	Mr Kaneshamoorthy is Head of Investments for Brookfield Property Group in Australia. In this role, Mr Kaneshamoorthy is responsible for the sourcing, underwriting and execution of direct real estate and corporate real estate transactions, as well as capital partnering initiatives for the Brookfield Property Group. Prior to joining Brookfield in December 2018, Mr Kaneshamoorthy held a number of roles in real estate private equity and investment banking at Macquarie Bank, Goldman Sachs and Morgan Stanley Real Estate Funds, with experience on transactions across Australia, New Zealand, Korea, Singapore and Japan. Mr Kaneshamoorthy holds a Bachelor of Laws degree and a Bachelor of Commerce degree in finance from the University of New South Wales.
<b>Igor Merkin</b>	Mr Merkin is a Senior Vice President, Portfolio Management, for Brookfield Property Group in Australia. Prior to joining Brookfield, Mr Merkin has held roles including as the General Manager, Operations, in Stockland's Retirement Living business. In this role Mr Merkin led the operations of Stockland's 65 retirement villages across Australia, including oversight of the commercial, operational and stakeholder considerations for each village. During his 12 years with Stockland, Mr Merkin held senior roles covering strategy, capital management, portfolio planning and finance. Mr Merkin is a Chartered Accountant and holds a Bachelor of Economics and Accounting degree from the University of New South Wales.

## 9.8 Brookfield Group's Intentions

### a. Introduction

This section 9.8 sets out BidCo's current intentions if the Schemes are implemented in relation to:

- the continuation of the business of Aveo;
- any major changes to be made to the business of Aveo; and
- the future employment of the present employees of Aveo.

## 9. INFORMATION ABOUT BROOKFIELD, BIDCO, HOLDCO, TOPCO AND AOG L.P. CONT

The intentions of BidCo are the same as the intentions of HoldCo and TopCo. The intentions set out in this section 9.8 are statements of current intention only and are based on the facts and circumstances that are known to BidCo as at the date of this Scheme Booklet.

The intentions and statements of future conduct set out in this section 9.8 must be read as being subject to the law (including the Corporations Act) and the Listing Rules as well as the legal obligations of the Aveo Directors at the time.

BidCo has reviewed information concerning Aveo, its business and the general business environment which is available information at the time of the preparation of this Scheme Booklet. BidCo has also conducted a limited due diligence review of certain non-public information provided to it by Aveo. BidCo does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess all of the operational, commercial, tax and financial implications of its current intentions. Final decisions in relation to these matters will only be reached after BidCo has had an opportunity to undertake a detailed review of Aveo's business following implementation of the Schemes. Accordingly, the intentions described below are statements of current intention only and may change as new information becomes available or as circumstances change.

### b. Removal from ASX

BidCo currently intends for Aveo to be removed from the official list of ASX after the implementation of the Schemes and for AGL to be subsequently converted into a proprietary limited company.

### c. Head office

BidCo currently intends for Aveo to maintain its head office following implementation of the Schemes.

### d. Business, operations and assets

BidCo currently intends to continue Aveo's business plan focused on furthering its position as a leading owner, operator and manager of retirement communities across Australia. BidCo will be concentrated on ensuring a sustainable operating model is in place and will continue to focus on optimising the sales process, selling down completed stock and investing in Aveo's real estate portfolio.

BidCo will continue to focus on providing care services to Aveo residents and the community around Aveo villages, including in-home care and Aveo's Freedom Care offering, as well as offer programs to encourage health and wellness for the Aveo residents into old age.

BidCo will undertake a full review of Aveo's business, operations, assets and employees following implementation of the Schemes to determine how to best operate, develop and grow the Aveo Group. Decisions relating to the future business operations will be made following completion of that review and in light of circumstances at the relevant time.

It is intended that Aveo's existing finance facilities will be refinanced on or after the Implementation Date using part of the proceeds of the debt funding described in section 9.9.

Consistent with typical strategic investments of this nature, BidCo may seek to 'exit' its investment in Aveo in the future. Any decision to exit will be subject to prevailing market conditions, the business' performance and other factors which may be considered relevant at the time.

Similarly, BidCo may seek to divest certain retirement villages, development sites or residential land holdings and apply those divestment proceeds to new growth and consolidation opportunities or efficiently repatriate proceeds to its shareholders, subject to necessary approvals and market conditions at the time. The optimal timing and means of exit will be determined at some point in the future.

### e. Employees

BidCo views the Aveo operating and management platform as an integral part of the business. While ensuring focus is on the current operations and performance, BidCo also intends to evaluate future management and employment requirements as appropriate and with regard to the operation of Aveo's business in the future.

### f. Changes to AGL's constitution

Consistent with its current intention to convert AGL into a proprietary company limited by shares, BidCo intends to replace AGL's existing constitution with a constitution appropriate for a proprietary company limited by shares following implementation of the Schemes. The Aveo Group Trust Constitution will be amended pursuant to the process of the Trust Scheme.

### g. Equity incentive plan

BidCo acknowledges there is significant value, knowledge and expertise in the staff and management of Aveo. Following implementation of the Scheme, BidCo will consider the establishment of a customary equity incentive plan for eligible management of Aveo.

## h. Board composition

### 1. TopCo Directors

In accordance with the TopCo Shareholders' Deed and the TopCo Constitution, the directors of TopCo following implementation of the Schemes will comprise a maximum of 7 nominees.

Where the TopCo Class B Shareholders collectively hold 15% or more of the voting shares of TopCo, TopCo Class B Shareholders will be entitled to appoint and remove two directors of TopCo. The right to appoint TopCo Class B Directors may be exercised by one or more TopCo Class B Shareholders who together hold more than 50% of the TopCo Class B Shares on issue. A majority of the TopCo Class A Shareholders (which will be the Brookfield AIVs, being affiliates of Brookfield) will be entitled to collectively appoint the balance of the directors of TopCo after accounting for directors elected by the TopCo Class B Shareholders, up to the maximum board size of 7 directors.

It is currently intended that the nominees to be appointed by the Brookfield AIVs following implementation of the Schemes will be Sophie Fallman, Shane Ross, Nicholas Britten-Jones, Ruban Kaneshamoorthy and Igor Merkin. See section 9.7 for the profiles of these directors.

The chairman of the board of directors of TopCo from time to time will be appointed and removed by the TopCo Class A Shareholders and the chairman will not have a casting vote in addition to his or her vote as a director.

### 2. BidCo and HoldCo Directors

The current directors of BidCo and HoldCo as at the date of this Scheme Booklet are Sophie Fallman, Shane Ross and Nicholas Britten-Jones. See section 9.7 for the profiles of these directors. It is currently intended that there will be no change to the BidCo and HoldCo directors post implementation of the Schemes.

### 3. Aveo Directors

See section 8.2 for details of Aveo's current directors.

The directors of Aveo following implementation of the Schemes will be comprised of such persons as appointed by the BidCo board of directors. The directors of Aveo following the Implementation Date have not been determined as at the date of this Scheme Booklet.

It is intended that, on or following the Implementation Date, each Aveo Group board of directors will be reconstituted to comprise individuals nominated by BidCo.

#### i. Stapled structure of Aveo Group

BidCo currently intends for the stapled group of Aveo Group Limited (and its controlled entities) and Aveo Group Trust (the Responsible Entity of which is Aveo Funds Management Limited) (and its controlled entities) to remain in place following implementation of the Schemes.

## 9.9 Funding

This section 9.9 outlines how BidCo intends to fund the acquisition of all of the Aveo Securities under the Schemes.

### a. Maximum Scheme Consideration payable by BidCo

If the Schemes are implemented, the Scheme Consideration payable to Aveo Securityholders will be satisfied by a combination of the Cash Consideration and the issuance of a number of AOG L.P. Units as the Scrip Consideration (provided the Minimum Scrip Consideration Threshold is met and subject to any application of the Scaleback Arrangements).

Based on the number of Aveo Securities on issue as at the date of this Scheme Booklet, the maximum amount of Cash Consideration BidCo may be required to pay to Scheme Securityholders under the Schemes is approximately \$1,248,585,995 (assuming the Minimum Scrip Consideration Threshold is not achieved).

### b. Cash funding arrangements

BidCo intends to fund the Cash Consideration through a combination of:

- equity committed by the Brookfield AIVs, as described in section 9.9(d);
- shareholder loans advanced by Brookfield AIVs in the form of the issue of TopCo Class A1 Notes, (the value of which will be finalised at a later date) which are loan notes issued by TopCo pursuant to the Loan Note Deed Poll; and
- third party debt financing, as described in section 9.9(e).

## 9. INFORMATION ABOUT BROOKFIELD, BIDCO, HOLDCO, TOPCO AND AOG L.P. CONT

### c. Illustrative sources and uses of funds under various scenarios

The following two scenarios in relation to the sources and uses of funds are illustrative only.

#### 1. No Scrip Consideration

If the Schemes are implemented, assuming no Scrip Consideration is issued (where the Minimum Scrip Consideration Threshold is not met), the illustrative sources and uses of funds can be depicted as follows:

Sources and Uses of Funds	Amount (A\$m)
<b>Sources</b>	
Cash provided by Brookfield AIVs <sup>1</sup>	1,151
Debt financing facilities provided to BidCo	932
<b>Total sources of funds</b>	<b>2,083</b>
<b>Uses</b>	
Payment to relevant Scheme Securityholders <sup>2</sup>	1,255
Repayment of existing Aveo's debt financing facilities <sup>3</sup>	752
Financing costs associated with BidCo's debt financing facilities <sup>3</sup>	20
Estimated transaction costs <sup>4</sup>	56
<b>Total uses of funds</b>	<b>2,083</b>

<sup>1</sup> Brookfield AIVs are treated as a single entity rather than identifying each individual party. The cash will consist of equity committed by Brookfield AIVs (in the form of the issue of TopCo Class A1 Shares) and the shareholder loans advanced by Brookfield AIVs (in the form of the issue of TopCo Class A1 Notes). The allocation of the cash provided between the TopCo Class A1 Shares and TopCo Class A1 Notes will be confirmed prior to implementation of the Schemes. This will not affect the total cash provided by the Brookfield AIVs.

<sup>2</sup> Payment to the relevant Scheme Securityholders includes the Aveo Incentives under the Aveo Employee Share Scheme for the portion which requires cash settlement as set out in section 14.2(c).

<sup>3</sup> Refinancing costs are subject to change.

<sup>4</sup> Transaction costs are subject to change.



## 2. Maximum Scrip Elections

If the Schemes are implemented, assuming the maximum amount of Scrip Consideration is issued (where the Maximum Scrip Threshold is met), the illustrative sources and uses of funds can be depicted as follows:

Sources and Uses of Funds	Amount (A\$m)
<b>Sources</b>	
Cash provided by Brookfield AIVs <sup>1</sup>	806
Roll in value	345
Debt financing facilities provided to BidCo	932
<b>Total sources of funds</b>	<b>2,083</b>
<b>Uses</b>	
Scheme Implementation Consideration <sup>2</sup>	1,255
Repayment of existing Aveo's debt financing facilities <sup>3</sup>	752
Financing costs associated with BidCo's debt financing facilities <sup>3</sup>	20
Estimated transaction costs <sup>4</sup>	56
<b>Total uses of funds</b>	<b>2,083</b>

<sup>1</sup> Brookfield AIVs are treated as a single entity rather than identifying each individual party. The cash will consist of equity committed by Brookfield AIVs (in the form of the issue of TopCo Class A1 Shares) and the shareholder loans advanced by Brookfield AIVs (in the form of the issue of TopCo Class A1 Notes). The allocation of the cash provided between the TopCo Class A1 Shares and TopCo Class A1 Notes will be confirmed prior to implementation of the Schemes. This will not affect the total cash provided by the Brookfield AIVs.

<sup>2</sup> Payment to the relevant Scheme Securityholders includes the Aveo Incentives under the Aveo Employee Share Scheme for the portion which requires cash settlement as set out in section 14.2(c).

<sup>3</sup> Refinancing costs are subject to change.

<sup>4</sup> Transaction costs are subject to change.

## d. Equity commitments

BidCo entered into a legally binding Equity Commitment Letter with BSREP III Australia AIV L.P., BSREP III Hydra Brookfield Bermuda AIV L.P., BSREP III Hydra Bermuda AIV L.P., BSREP III Hydra Bermuda AIV-B L.P. (**BSREP III**) and Aveo on 14 August 2019. Under the Equity Commitment Letter, these entities have agreed that, subject to the Schemes becoming Effective, they will cause BidCo to receive an amount in cash (as either TopCo Class A1 Shares or TopCo Class A1 Notes) of up to A\$1,151.1 million (which amount shall reduce in proportion to the amount of Scrip Consideration to be issued to Aveo Securityholders in accordance with the Schemes). That amount may only be used by BidCo for the purpose of paying the Cash Consideration. In addition, BSREP III has agreed to cause BidCo to receive an amount in cash of up to A\$20 million to be used by BidCo in circumstances where BidCo breaches any obligation under the Scheme Implementation Deed, the Schemes or the Deed Poll to satisfy all damages, cost awards and other forms of claim which may be made against BidCo in respect of that breach.

## e. Scheme Debt Facilities

### 1. Debt commitment letters

BidCo has entered into a commitment letter with the MLAUBs attaching a credit approved term sheet for the Scheme Debt Facilities described below.

### 2. Scheme Debt Facilities

BidCo, as borrower, has obtained legally binding commitments for senior secured syndicated facilities (**Scheme Debt Facilities**). The Scheme Debt Facilities will comprise:

- A\$787.5 million term loan cash advance facility (**Facility A**);
- A\$154.0 million revolving facility (**Facility B**); and
- A\$100.0 million revolving working capital facility (**Facility C**).

# 9. INFORMATION ABOUT BROOKFIELD, BIDCO, HOLDCO, TOPCO AND AOG L.P. CONT

## 3. Purpose of Scheme Debt Facilities

Facility A is available to BidCo for the purposes of:

- the payment of the Cash Consideration and other consideration payable under the Scheme Implementation Deed; and
- the payment of the aggregate of:
  - all transaction costs that are set out in the financial model and funds flow statement delivered as a condition precedent to first drawdown of the Scheme Debt Facilities;
  - the refinancing of any existing finance debt of the Aveo Group (including any associated break costs and fees, costs and expenses); and
  - any other payment described in the funds flow statement delivered to the lenders as a condition precedent to first drawdown of the Scheme Debt Facilities,

or such other purpose as the facility agent (acting on the instructions of the majority lenders, acting reasonably) may approve.

Facility B is available to BidCo for the purpose of financing current construction projects **(WIP)**.

Facility C is available to BidCo to finance working capital requirements, general corporate purposes of the group, to cover any potential interim shortfalls from operating buybacks and to fund any cost to complete WIP.

Facility B and Facility C may also be made available to certain other members of the Aveo Group.

## f. Conditions precedent

The availability of the Scheme Debt Facilities is subject to the satisfaction or waiver of certain conditions precedent which are customary for facilities of this kind and include the following initial conditions:

- receipt by the lenders of executed copies of the documents relating to the Schemes, including the Scheme Implementation Deed, the AGL Scheme, the Deed Poll and this Scheme Booklet;
- evidence that:
  - an equity contribution has been received by BidCo or will be received simultaneously with first drawdown of the Scheme Debt Facilities; and
  - Scrip Consideration will be issued to Aveo Securityholders,

in a certain aggregate amount and that such funds have been contributed in accordance with the funds flow statement delivered as a condition precedent to first drawdown of the Scheme Debt Facilities;

- receipt by the lenders of a completion certificate from BidCo certifying that (amongst other things):
  - all material authorisations required to complete the acquisition of the Scheme Security have been obtained;
  - all conditions precedent to the Schemes have been or will be waived or satisfied prior to first drawdown of the Scheme Debt Facilities;
  - the Schemes have been approved by the requisite majorities of Aveo's Securityholders and the Court;

completion of the acquisition of the Scheme Security will occur in accordance with the AGL Scheme promptly following first drawdown of the Scheme Debt Facilities;

- receipt by the lenders of all required documents relating to the security taken over the Scheme Debt Facilities; and
- satisfaction of other conditions precedent primarily of a documentary nature which are customary for facilities of this kind.

It is expected that these conditions will be satisfied before the Second Court Date (other than certain conditions which are intended to be satisfied concurrently with, or prior to, the first drawdown under the Scheme Debt Facilities including the payment of fees and expenses).

If all of the conditions precedent are satisfied or waived, then subject to the provisions set out in the paragraph below and provided that it is not unlawful for the lenders to do so, the lenders must fund their portion of the commitment under the Scheme Debt Facilities. As at the date of this Scheme Booklet, BidCo is not aware of any reason why any of the conditions precedent to the Scheme Debt Facilities will not be satisfied, and is confident that they will be satisfied in time to allow payment in full of the Cash Consideration as and when due under the terms of the Schemes.

The availability of the Scheme Debt Facilities is subject to the correctness of certain material representations and to the non-occurrence of certain material events of default. As at the date of this Scheme Booklet, BidCo is not aware of the occurrence of any such misrepresentation or event of default or any circumstance that would enable the lenders to withhold their funding.

### g. Guarantors and security

The Scheme Debt Facilities will be guaranteed and secured:

- initially, by BidCo and HoldCo; and
- following completion of requisite financial assistance processes post implementation of the Schemes and subject to certain agreed security principles, wholly owned members of the non-US group with positive EBITDA and whose EBITDA and gross assets (in each case on an unconsolidated basis and excluding intra-group items and investments in Subsidiaries of any member of the non-US group) form at least 90% of consolidated EBITDA and aggregate total assets of all wholly-owned members of the non-US group to be tested semi-annually, with the first calculation date being the first calendar half year occurring 6 clear months after the first draw down of the Scheme Debt Facilities.

### h. Repayment

All Scheme Debt Facilities have bullet repayments due on the maturity date (being 5 years from the date of first drawdown under the Scheme Debt Facilities).

BidCo will be able to make voluntary prepayments under any Scheme Debt Facility (subject to minimum payment amounts and notice requirements) without any prepayment penalties other than, if the prepayment does not occur on the last day of an interest period, customary break costs.

There are mandatory prepayment obligations (subject to customary exceptions and thresholds) for, among other things, disposal of all or substantially all of the assets of the group and an initial public offering.

### i. Interest rates and pricing

The Scheme Debt Facilities incur interest at a variable rate, being BBSY plus a margin.

### j. Facility fees

Fees payable in respect of the Scheme Debt Facilities are consistent with similar facilities made available for transactions of this nature and include (amongst other fees):

- a one-off establishment fee payable on the date of initial drawdown of the Scheme Debt Facilities;
- a commitment fee payable on the undrawn amount of Facility B and Facility C, set at a percentage of the applicable margin, paid quarterly in arrears; and
- a bank guarantee/letter of credit fee payable only in relation to Facility C.

### k. Financial covenants

The Scheme Debt Facilities contain financial covenants which are customary for similar facilities. The financial covenants are tested semi-annually, with the first calculation date being the first calendar half year occurring 6 clear months after first drawdown of the Scheme Debt Facilities:

- the ratio of group net cash flow to group interest expense ('Group Interest Cover Ratio');
- the ratio of the principal amount outstanding under Facility A to the aggregate value of all core assets ('Core LVR'); and
- the ratio of the principal amount outstanding under the Scheme Debt Facilities to the aggregate value of group assets ('Group LVR').

### l. Other relevant provisions

The Scheme Debt Facilities also include other terms such as representations, undertakings and events of default customary for facilities of this nature. Any breach by BidCo or an 'Obligor' under the Scheme Debt Facilities of the financial covenants, representations or undertakings (which are not remedied within any applicable grace period), or the occurrence of an event of default, may lead to the Scheme Debt Facilities becoming due and payable and/or the commitments being cancelled.

A change of control in BidCo will trigger a review event.

### m. Scrip consideration arrangements

BidCo, TopCo and AOG L.P. have entered into the Deed Poll to covenant in favour of the Scheme Securityholders to perform their respective obligations in relation to the Schemes. This includes the obligation to provide or procure the provision of the Scheme Consideration to the Scheme Securityholders in accordance with the terms of the Schemes, including to issue all AOG L.P. Units the subject of the Elections for Scrip Consideration by the Scheme Securityholders under the terms of the Schemes.

# 9. INFORMATION ABOUT BROOKFIELD, BIDCO, HOLDCO, TOPCO AND AOG L.P. CONT

## n. Conclusion

On the basis of the arrangements described above, BidCo believes it has reasonable grounds for holding the view, and holds the view, that BidCo will be able to satisfy its obligation to fund the Scheme Consideration as and when it is due and payable under the terms of the Transaction. Accordingly, BidCo does not have in place nor does it believe it requires alternative sources of funding to discharge the Scheme Consideration.

## 9.10 Prospects of TopCo, HoldCo, BidCo and Aveo following implementation

Section 9.8 sets out the Brookfield Group's intentions as to the operation of Aveo's business following the Implementation Date.

The future prospects of BidCo's investments in Aveo will largely be determined by the financial and operational performance of Aveo. The financial and operational characteristics of Aveo are described in section 8.

For further information on the risks associated with an investment in Aveo and specifically those risks impacting on the prospects of Aveo see section 11.3. For further information on the risks associated with an investment in AOG L.P. following the Implementation Date see section 11.4. You should carefully consider these risks before deciding whether to make an Election to receive the Scrip Consideration.

## 9.11 Additional Information

### a. Brookfield interests and directors' interests in Aveo Securities

As at the date of this Scheme Booklet:

- the voting power of Brookfield, TopCo, HoldCo and BidCo in Aveo is 0%; and
- neither TopCo, HoldCo, BidCo, Brookfield nor any of the directors of TopCo, HoldCo, BidCo or Brookfield has a Relevant Interest in any Aveo Securities.

### b. Dealings in Aveo Securities in the previous four months

None of Brookfield, TopCo, HoldCo, BidCo or any of their Associates has provided, or agreed to provide, consideration for Aveo Securities under a purchase or agreement during the period of four months before the date of this Scheme Booklet except for the Scheme Consideration which BidCo has agreed to provide under the Schemes (as reflected in the Scheme Implementation Deed and the Deed Poll).

### c. No inducing benefits given during previous four months

None of Brookfield, TopCo, HoldCo or BidCo nor any of their Associates during the period of four months before the date of this Scheme Booklet gave, or offered to give or agreed to give, a benefit to another person which was likely to induce the other person, or an associate, to:

- vote in favour of the Schemes; or
- dispose of Aveo Securities,

and which benefit was not offered to all Aveo Securityholders under the Schemes.

### d. No escalation agreements

BidCo and its Associates have not entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

### e. Benefits to Aveo Directors

Neither Brookfield, TopCo, HoldCo nor BidCo will be making any payment or giving any benefit to any current Aveo Director as compensation or consideration for, or otherwise in connection with, their resignation from the Aveo Board if the Schemes becomes effective and the Aveo Board is accordingly reconstituted, other than as required under the relevant person's employment contract with Aveo.

### f. No other agreements or inducements/arrangements

None of TopCo, HoldCo or BidCo has made any agreement or arrangement with an Aveo Director in connection with or conditional on the outcome of the Schemes.

**g. Disclosure of interests and fees of certain people**

Other than as set out in this Scheme Booklet or pursuant to existing employment agreements, consulting arrangements or directorships (including, in the case of the directors of TopCo, HoldCo and BidCo, arrangements for staff participation in TopCo, HoldCo or BidCo), no:

1. directors or proposed directors of TopCo, HoldCo or BidCo; or
2. person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet,

holds, or held at any time during the last two years, any interests in:

3. the formation or promotion of AOG L.P. or TopCo, HoldCo or BidCo;
4. property acquired or proposed to be acquired by AOG L.P. or TopCo, HoldCo or BidCo in connection with the formation or promotion or the offer of Scrip Consideration under the Schemes; or
5. the offer of Scrip Consideration under the Schemes.

**h. Fees and Benefits**

Other than as set out in this Scheme Booklet or pursuant to existing employment agreements, consulting agreements or directorships, no one has paid or agreed to pay any amount, or given or agreed to give any benefit to a director, or proposed director, of TopCo, HoldCo or BidCo:

- to induce them to become, or to qualify as, a director of TopCo, HoldCo or BidCo; or
- for services provided in connection with the formation or promotion of TopCo, HoldCo or BidCo or the offer of AOG L.P. Units in connection with the Schemes.

# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS

This section 10 sets out information about the TopCo Class B Securities and AOG L.P. Units. This information will only apply to you if you are considering making a Scrip Election under the Schemes, instead of taking the Cash Consideration. As described in section 7.4, Scheme Securityholders who elect the Scrip Consideration will be issued AOG L.P. Units.

Before making a Scrip Election, you should carefully read this Scheme Booklet in its entirety and specifically consider the information in this section 10 and the risks relating to AOG L.P. Units in section 11.4 (noting that the Aveo Directors have recommended that you vote in favour of the Schemes on the basis of the Cash Consideration, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders, and they make no recommendation in relation to the Scrip Consideration due to the speculative nature of the AOG L.P. Units and the fact that their appropriateness will depend significantly on the characteristics and risk profile of individual securityholders).

This section 10 has been prepared by BidCo and TopCo.

## 10.1 Rights and liabilities attaching to TopCo Class B Securities and AOG L.P. Units

A summary of the key rights and liabilities that will attach to TopCo Class B Securities and AOG L.P. Units, assuming the Minimum Scrip Consideration Threshold is met, is set out below.

The below summary is not exhaustive and does not set out all rights and obligations of:

- AOG L.P. Limited Partners or the restrictions which those AOG L.P. Limited Partners will be subject to under the AOG L.P. Partnership Agreement; or
- AOG L.P. or the restrictions which AOG L.P. will be subject to under the TopCo Shareholders' Deed and the TopCo Constitution, and should be read subject to the full terms of the AOG L.P. Partnership Agreement, the TopCo Shareholders' Deed and the TopCo Constitution. Aveo Securityholders considering making a Scrip Election should read and understand the AOG L.P. Partnership Agreement, the TopCo Shareholders' Deed and the TopCo Constitution in full and seek their own independent advice before making a decision.

Full copies of the TopCo Constitution, the TopCo Shareholders' Deed and the AOG L.P. Partnership Agreement are attached to this Scheme Booklet.

The TopCo Constitution provides that the terms of the TopCo Shareholders' Deed will prevail in the event of any inconsistency between the provisions of the TopCo Constitution and the TopCo Shareholders' Deed.

#	Topic	Summary
1	<b>TopCo and AOG L.P. capital structure</b>	<p><b>TOPCO CAPITAL STRUCTURE</b></p> <p>TopCo will have TopCo Class A Securities and TopCo Class B Securities.</p> <p>The following are <b>TopCo Class A Securities</b>:</p> <ul style="list-style-type: none"> <li>• TopCo Class A1 Shares;</li> <li>• TopCo Class A1 Notes;</li> <li>• TopCo Class A2 Shares; and</li> <li>• TopCo Class A2 Notes.</li> </ul> <p>The following are TopCo Class B Securities:</p> <ul style="list-style-type: none"> <li>• TopCo Class B1 Shares;</li> <li>• TopCo Class B1 Notes;</li> <li>• TopCo Class B2 Shares; and</li> <li>• TopCo Class B2 Notes.</li> </ul>

#	Topic	Summary
1	<b>TopCo and AOG L.P. capital structure</b> <i>cont</i>	<p data-bbox="389 465 906 488">Immediately following implementation of the Schemes:</p> <ul data-bbox="389 506 1426 640" style="list-style-type: none"> <li>• TopCo will have TopCo Class A1 Shares, TopCo Class A1 Notes, TopCo Class B1 Shares and TopCo Class B1 Notes on issue;</li> <li>• TopCo Class A1 Shares and TopCo Class A1 Notes will be held by the Brookfield AIVs; and</li> <li>• TopCo Class B1 Shares and TopCo Class B1 Notes will be held by AOG L.P.</li> </ul> <p data-bbox="389 667 1469 779">The precise allocation of capital as between TopCo Class A1 Shares, TopCo Class A1 Notes, TopCo Class B1 Shares and TopCo Class B1 Notes following implementation of the Schemes will be determined prior to implementation of the Schemes (and is dependent on the number of valid Scrip Elections received), however it is currently anticipated that the allocations will be within the following indicative ranges:</p> <ul data-bbox="389 797 1225 864" style="list-style-type: none"> <li>• between \$300 million and \$500 million will be contributed by way of TopCo Notes; and</li> <li>• between \$651 million and \$851 million will be contributed by way of TopCo Shares.</li> </ul> <p data-bbox="389 891 1453 1003">In certain circumstances TopCo may issue further TopCo Securities after implementation of the Schemes. Any TopCo Securities issued after implementation of the Schemes will be TopCo Class A2 Shares, TopCo Class A2 Notes, TopCo Class B2 Shares or TopCo Class B2 Notes. See row 9 below for more detail on the circumstances in which TopCo may issue TopCo Securities after implementation of the Schemes.</p> <p data-bbox="389 1030 687 1052"><b>AOG L.P. CAPITAL STRUCTURE</b></p> <p data-bbox="389 1061 746 1084">The following are <b>AOG L.P. Securities</b>:</p> <ul data-bbox="389 1102 823 1245" style="list-style-type: none"> <li>• AOG L.P. Units, which will be comprised of: <ul data-bbox="421 1137 655 1205" style="list-style-type: none"> <li>- AOG L.P. B1 Units; and</li> <li>- AOG L.P. B2 Units; and</li> </ul> </li> <li>• AOG L.P. B2 Notes.</li> </ul> <p data-bbox="389 1272 1469 1415">Immediately following implementation of the Schemes, AOG L.P. will have AOG L.P. B1 Units on issue, which will be issued to Scheme Securityholders who make a valid Scrip Election, subject to the Minimum Scrip Consideration Threshold being met and Scaleback Arrangements (who will then be <b>AOG L.P. Limited Partners</b>). AOG L.P. will also continue to have one AOG L.P. GP Unit on issue. The AOG L.P. GP Unit has already been issued to the AOG L.P. General Partner.</p> <p data-bbox="389 1442 1469 1554">AOG L.P. may issue further AOG L.P. Securities after implementation of the Schemes where TopCo issues TopCo Class B2 Shares or TopCo Class B2 Notes to AOG L.P.. Any AOG L.P. Securities issued after implementation of the Schemes will be AOG L.P. B2 Units or AOG L.P. B2 Notes. (See row 9 below for more detail on the circumstances in which AOG L.P. may issue AOG L.P. Securities after implementation of the Schemes.)</p> <p data-bbox="389 1581 1086 1603"><b>CORRELATION BETWEEN TOPCO SECURITIES AND AOG L.P. SECURITIES</b></p> <p data-bbox="389 1612 1171 1635">While AOG L.P. is a TopCo Class B Securityholder, it will ensure that the number of:</p> <ul data-bbox="389 1653 1257 1760" style="list-style-type: none"> <li>• TopCo Class B1 Shares held by AOG L.P. is equal to the number of AOG L.P. B1 Units;</li> <li>• TopCo Class B2 Shares held by AOG L.P. is equal to the number of AOG L.P. B2 Units; and</li> <li>• TopCo Class B2 Notes is equal to the number of AOG L.P. B2 Notes.</li> </ul> <p data-bbox="389 1787 1302 1809">The parties to the TopCo Shareholders' Deed also agree that a TopCo Securityholder's interest in:</p> <ul data-bbox="389 1827 1453 1948" style="list-style-type: none"> <li>• TopCo Class A1 Shares or TopCo Class B1 Shares (as a percentage of all TopCo Class A1 Shares and TopCo Class B1 Shares on issue); and</li> <li>• TopCo Class A1 Notes or TopCo Class B1 Notes (as a percentage of all TopCo Class A1 Notes and TopCo Class B1 Notes on issue),</li> </ul> <p data-bbox="389 1966 887 1989">will be as close as is reasonably practicable to equal.</p>



# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

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#	Topic	Summary
1	<b>TopCo and AOG L.P. capital structure</b> <i>cont</i>	<p>As a result, each AOG L.P. Limited Partner who holds:</p> <ul style="list-style-type: none"> <li>• an AOG L.P. B1 Unit will have an indirect interest in a TopCo Class B1 Share and a corresponding proportion of TopCo Class B1 Notes;</li> <li>• an AOG L.P. B2 Unit will have an indirect interest in a TopCo Class B2 Share; and</li> <li>• an AOG L.P. B2 Note will have an indirect interest in a TopCo Class B2 Note.</li> </ul> <p>In this summary, the TopCo Class B Securities held by AOG L.P. in which an AOG L.P. Limited Partner has an indirect interest by way of its holding AOG L.P. Securities are that AOG L.P. Limited Partner's <b>Proportionate TopCo Class B Securities</b>.</p> <p>For further details, see clauses 2.1, 2.3 and 2.4 of the TopCo Shareholders' Deed, articles 2.2 and 2.3 of the TopCo Constitution and clause 9 and Special Terms 2 and 3 of the AOG L.P. Partnership Agreement.</p>
2	<b>Terms and ranking of TopCo Securities and AOG L.P. Securities</b>	<p><b>TOPCO SECURITIES</b></p> <p>TopCo Class B1 Shares will be ordinary shares issued as fully paid in accordance with the terms of the Schemes. All TopCo Shares will rank equally with each other TopCo Share from the date of issue.</p> <p>TopCo Class B1 Notes will be loan notes issued pursuant to the Loan Note Deed Poll with an interest rate of 5.44% per annum in accordance with the terms of the Schemes. All TopCo Notes will rank equally with each other TopCo Note from the date of issue.</p> <p>Any:</p> <ul style="list-style-type: none"> <li>• TopCo Class B Securities that are transferred to a TopCo Class A Securityholder will automatically convert into the equivalent TopCo Class A Securities; and</li> <li>• TopCo Class A Securities that are transferred to a TopCo Class B Securityholder will automatically convert into the equivalent TopCo Class B Securities.</li> </ul> <p>TopCo Class A Securityholders will have rights under the TopCo Shareholders' Deed and the TopCo Constitution that will be significantly more favourable to TopCo Class A Securityholders than the rights of TopCo Class B Securityholders. Among other things, under the Shareholders' Deed, TopCo Class A Shareholders will exercise effective control over TopCo and will have the ability to determine the timing and terms of any Exit (including through rights to appoint a majority of the TopCo Board which will in turn control the management of the TopCo Group).</p> <p><b>AOG L.P. SECURITIES</b></p> <p>AOG L.P. B1 Units will be issued in accordance with the terms of the Schemes. All AOG L.P. Units will rank equally with each other AOG L.P. Unit from the date of issue.</p> <p>For further details, see clause 2.2 and Schedule 4 of the TopCo Shareholders' Deed, articles 2.2 and 2.3 of the TopCo Constitution and clause 9 of the AOG L.P. Partnership Agreement.</p>
3	<b>Variation of class rights of TopCo Securities</b>	<p>Subject to the terms of the TopCo Constitution, the TopCo Shareholders Agreement and the terms on which any TopCo Shares are issued, the rights attaching to any class of TopCo Securities may only be varied where TopCo Class B Securities are treated adversely to TopCo Class A Securities:</p> <ul style="list-style-type: none"> <li>• if approved as a TopCo Board Reserved Matter; and</li> <li>• where the TopCo Securities in question are TopCo Shares, if also approved: <ul style="list-style-type: none"> <li>- by a special resolution of the holders of TopCo Shares passed at a general meeting; and</li> <li>- either: <ul style="list-style-type: none"> <li>- by a special resolution of the holders of TopCo Class B Shares; or</li> <li>- in writing by holders of TopCo Class B Shares who hold at least 75% of the issued TopCo Class B Shares.</li> </ul> </li> </ul> </li> </ul> <p>An action which affects TopCo Class A Securities and TopCo Class B Securities equally, and expressly contemplated by the TopCo Shareholders' Deed or the TopCo Constitution, will not constitute a variation of the rights attaching to TopCo Class B Securities where they are treated adversely to TopCo Class A Securities.</p> <p>For further details, see clause 3.2(b) and Schedule 2 of the TopCo Shareholders' Deed and article 2.6 of the TopCo Constitution.</p>

#	Topic	Summary
4	<b>Dividends</b>	<p>The payment of any dividends by TopCo will be at the sole discretion of the TopCo Board, provided that the dividend does not result in a breach of the Corporations Act, or any covenant or undertaking of the TopCo Group to any bank or financial institution. Any decision to pay a non-cash dividend must be approved as a TopCo Board Reserved Matter.</p> <p>Each TopCo Class A Share and TopCo Class B Share will rank equally for the payment of dividends.</p> <p>The AOG L.P. General Partner shall distribute any dividends relating to TopCo Class B Shares to AOG L.P. Limited Partners in proportion to the AOG L.P. Units held by each AOG L.P. Limited Partner.</p> <p>For further details, see clause 10 of the TopCo Shareholders' Deed, article 17 of the TopCo Constitution and clause 9.6 of the AOG L.P. Partnership Agreement.</p>
5	<b>Appointment of TopCo Directors</b>	<p>The TopCo Board will consist of a maximum of 7 TopCo Directors unless otherwise approved as a Board Reserved Matter.</p> <p>TopCo Class A Shareholders may appoint up to 5 Directors to the TopCo Board, provided they are Qualified Persons.</p> <p>Subject to the following paragraph, while TopCo Class B Shareholders hold at least 15% of the TopCo Shares, they may appoint up to 2 directors to the TopCo Board, provided they are Qualified Persons. The TopCo Class B Directors will be removed if TopCo Class B Shareholders cease to hold 15% of the TopCo Shares.</p> <p>In calculating TopCo Class B Shareholders' percentage holding of TopCo Shares for the purposes of determining their rights to appoint directors to the TopCo Board:</p> <ul style="list-style-type: none"> <li>• issues of new TopCo Shares (other than the initial issue of the TopCo Class A1 Shares and TopCo Class B1 Shares and pro rata issues in which TopCo Class B Shareholders take up their pro rata entitlement of TopCo Shares being issued) will be disregarded; and</li> <li>• the holdings of TopCo Class B Shareholders will only be taken to be reduced in circumstances where a TopCo Class B Shareholder transfers the Proportionate TopCo Class B Securities of an AOG Limited Partner that holds: <ul style="list-style-type: none"> <li>- more than 50% of the AOG L.P. Units; or</li> <li>- more AOG L.P. Units than any other Limited Partner.</li> </ul> </li> </ul> <p>The AOG L.P. General Partner will seek approval from AOG L.P. Limited Partners that hold more than 50% of the AOG L.P. Units before exercising any rights to appoint TopCo Class B Directors.</p> <p>For further details, see clause 4 of the TopCo Shareholders' Deed, article 11 of the TopCo Constitution and Special Term 1 of the AOG L.P. Partnership Agreement.</p>
6	<b>TopCo Board quorum and voting</b>	<p>The quorum for a meeting of the TopCo Board will be:</p> <ul style="list-style-type: none"> <li>• one TopCo Class A Director; and</li> <li>• for so long as there is one or more TopCo Class B Directors appointed, one TopCo Class B Director.</li> </ul> <p>If a quorum is not present at a TopCo Board meeting, the meeting must be adjourned to the same time and place 4 business days later. The quorum at the adjourned meeting will be one TopCo Class A Director.</p> <p>At a meeting of the TopCo Board:</p> <ul style="list-style-type: none"> <li>• on each resolution, each TopCo Director has one vote;</li> <li>• the chairman, if any, will not have a casting vote in addition to his or her deliberative vote; and</li> <li>• all decisions are by simple majority vote, unless they relate to a Board Reserved Matter.</li> </ul> <p>For further details, see clauses 4 and 5 of the TopCo Shareholders' Deed and article 13 of the TopCo Constitution.</p>

# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

#	Topic	Summary
7	<b>TopCo Board Reserved Matters</b>	<p>TopCo must not do or commit to do, and must procure that no TopCo Group Company does or commits to do, any Board Reserved Matter without the prior unanimous approval of the TopCo Board, including:</p> <ol style="list-style-type: none"><li>any material amendment or variation of the TopCo Constitution;</li><li>taking any step to dissolve or wind up a TopCo Group Company;</li><li>altering the maximum number of TopCo Directors other than in connection with an IPO;</li><li>entering into any contract or arrangement with a TopCo Securityholder or their Affiliate, other than:<ol style="list-style-type: none"><li>a contract or arrangement with, or payment to, all TopCo Securityholders in connection with an Exit in accordance with the terms of the TopCo Shareholders' Deed or the TopCo Constitution;</li><li>a contract, arrangement or payment that is on arm's length terms; or</li><li>issuing TopCo Class A2 Notes and TopCo Class B2 Notes to TopCo Securityholders in accordance with the TopCo Shareholders' Deed;</li></ol></li><li>ceasing to carry on, or fundamentally altering the nature of, the business from that carried on by the Aveo Group as at the date of the TopCo Shareholders' Deed;</li><li>buying back TopCo Securities other than on a pro rata basis;</li><li>varying the rights attaching to a class of TopCo Securities where TopCo Class B Securities are treated adversely to TopCo Class A Securities;</li><li>materially altering accounting standards previously adopted by the TopCo Group for the preparation or presentation of individual or consolidated financial statements or altering the financial year applicable to the TopCo Group, except if required by law;</li><li>declaring, making or paying a dividend other than in cash;</li><li>issuing, allotting or granting any TopCo Securities other than in accordance with the TopCo Shareholders' Deed;</li><li>appointing or removing the auditor of the TopCo Group except in connection with the appointment of an auditor that is a 'Big 4' accounting firm;</li><li>permitting the TopCo Group's aggregate indebtedness to exceed 65% of the value of the TopCo Group's developed revenue generating retirement communities and aged care villages;</li><li>creating a new class of securities in TopCo;</li><li>determining to issue new TopCo Class A2 Shares to third parties after existing TopCo Securityholders have not taken up all of the TopCo Shares offered to them in accordance with the pro rata rights issue provisions of the TopCo Shareholders' Deed;</li><li>determining to buy-back, redeem or cancel any ROFR Securities pursuant to the right of first refusal process; and</li><li>making any amendment to the TopCo Shareholders' Deed that materially adversely affects the rights of TopCo Class B Securityholders.</li></ol> <p>For further details, see clause 3.2(b) and Schedule 2 of the TopCo Shareholders' Deed.</p>

#	Topic	Summary
8	<b>TopCo Shareholders meeting quorum and voting</b>	<p>The quorum for a meeting of the TopCo Shareholders will be:</p> <ul style="list-style-type: none"> <li>• one TopCo Class A Shareholder; and</li> <li>• subject to the following paragraph, for so long as a TopCo Class B Shareholder holds at least 15% of the TopCo Shares, one such TopCo Class B Shareholder.</li> </ul> <p>In calculating TopCo Class B Shareholders' percentage holding of TopCo Shares for the purposes of determining quorum requirements:</p> <ul style="list-style-type: none"> <li>• issues of new TopCo Shares (other than the initial issue of the TopCo Class A1 Shares and TopCo Class B1 Shares and pro rata issues in which TopCo Class B Shareholders take up their pro rata entitlement of TopCo Shares being issued) will be disregarded; and</li> <li>• the holdings of TopCo Class B Shareholders will only be taken to be reduced in circumstances where a TopCo Class B Shareholder transfers the Proportionate TopCo Class B Securities of an AOG Limited Partner that holds: <ul style="list-style-type: none"> <li>- more than 50% of the AOG L.P. Units; or</li> <li>- more AOG L.P. Units than any other Limited Partner.</li> </ul> </li> </ul> <p>If a quorum is not present at a TopCo Shareholders' meeting, the meeting must be adjourned to the same time and place 4 business days later. The quorum at the adjourned meeting will be one TopCo Class A Shareholder.</p> <p>At a TopCo Shareholders' meeting, each TopCo Shareholder present in person or by proxy has one vote for each fully paid TopCo Share held by the TopCo Shareholder on a poll.</p> <p>For further details, see clause 7 of the TopCo Shareholders' Deed and article 10 of the TopCo Constitution.</p>
9	<b>Issue of further TopCo Securities</b>	<p>TopCo must not issue any new securities unless the issue is:</p> <ul style="list-style-type: none"> <li>• approved as a Board Reserved Matter;</li> <li>• a permitted issue of TopCo Securities (listed below); or</li> <li>• a pro rata offer of new securities to TopCo Securityholders (set out below).</li> </ul> <p><b>PERMITTED ISSUES</b></p> <p>TopCo may issue new securities if the issue is approved by the TopCo Board and is an issue of:</p> <ul style="list-style-type: none"> <li>• TopCo Class A1 Shares or TopCo Class A1 Notes to Brookfield in connection with the Schemes;</li> <li>• TopCo Class B1 Shares and TopCo Class B1 Notes to AOG L.P., where the number of TopCo Class B1 Shares is equal to the number of AOG L.P. B1 Units issued to Aveo Securityholders who make a valid Scrip Election pursuant to the Schemes;</li> <li>• TopCo Securities to a third party as consideration for an acquisition by the TopCo Group or a merger of a TopCo Group member with another entity provided the acquisition or merger is, in the reasonable opinion of the TopCo Board, likely to be accretive to the TopCo Group's earnings per TopCo Share;</li> <li>• TopCo Securities pursuant to a management incentive plan;</li> <li>• TopCo Shares pursuant to a dividend reinvestment plan;</li> <li>• TopCo Shares pursuant to an IPO; or</li> <li>• TopCo Shares pursuant to the conversion of any convertible securities into TopCo Shares, provided those convertible securities were issued in accordance with the TopCo Shareholders' Deed.</li> </ul>

# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

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#	Topic	Summary
9	<b>Issue of further TopCo Securities</b> <i>cont</i>	<p>TopCo may also issue TopCo Class A2 Notes to TopCo Class A Shareholders and TopCo Class B2 Notes to TopCo Class B Shareholders if:</p> <ul style="list-style-type: none"> <li>the issue is approved by the TopCo Board;</li> <li>the TopCo Class A2 Notes and TopCo Class B2 Notes are issued on the same terms, being the Agreed Loan Terms set out at Schedule 4 of the TopCo Shareholders' Deed; and</li> <li>all TopCo Securityholders are offered an opportunity to take up their pro rata proportion of the TopCo Notes at the time they are to be issued, or are given a catch up right after the initial issue so that all TopCo Securityholders have an opportunity to take up their pro rata proportion of the TopCo Notes.</li> </ul> <p>If AOG L.P. is offered TopCo Class B2 Notes in this way, AOG L.P. will offer an equivalent number of AOG L.P. B2 Notes on equivalent terms to AOG L.P. Limited Partners. AOG L.P. will use the proceeds from the issue of the AOG L.P. B2 Notes to subscribe for TopCo Class B2 Notes under the TopCo Shareholders' Deed.</p> <p><b>OTHER PRO RATA OFFERS OF SECURITIES</b></p> <p>TopCo may also issue new securities provided they are offered to TopCo Securityholders on a pro rata basis and:</p> <ul style="list-style-type: none"> <li>the issue is for cash; and</li> <li>where the issue is of new TopCo Shares, TopCo Class A Securityholders will only be issued TopCo Class A2 Shares and TopCo Class B Securityholders will only be issued TopCo Class B2 Shares.</li> </ul> <p>If AOG L.P. is offered securities in this way, AOG L.P. will offer an equivalent number of securities in AOG L.P. on equivalent terms to AOG L.P. Limited Partners. AOG L.P. will use the proceeds from the issue of the AOG L.P. securities to subscribe for the new TopCo securities under the TopCo Shareholders' Deed.</p> <p>If less than 100% of the new securities proposed to be issued by TopCo are applied for by existing TopCo Securityholders, TopCo may issue those securities to third parties within 180 days after the close of the application period, provided that any issue of TopCo Class A2 Shares to third parties is approved as a Board Reserved Matter.</p> <p>For further details, see clauses 11 and 12 of the TopCo Shareholders' Deed and Special Terms 6 and 7 of the AOG L.P. Partnership Agreement.</p>
10	<b>Dealing with TopCo Securities and AOG L.P. Securities</b>	<p><b>TOPCO SECURITIES</b></p> <p>TopCo Securityholders may only Deal with their TopCo Securities in the following circumstances.</p> <ol style="list-style-type: none"> <li>TopCo Class A Securityholders may Transfer some or all of their TopCo Securities to an Affiliate at any time.</li> <li>TopCo Class A Securityholders may Transfer some or all of their TopCo Securities to a third party provided that:             <ol style="list-style-type: none"> <li>if the TopCo Class A Securityholders intend to sell 40% or more of the TopCo Class A Shares (or any TopCo Class A Shares in an IPO), they have complied with the tag along rights; and</li> <li>subject to the following paragraph, if TopCo Class B Securityholders hold 15% or more of all TopCo Shares, the Class A Securityholders have complied with the right of first refusal.</li> </ol> </li> <li>TopCo Class B Securityholders may Transfer some or all of their TopCo Securities to a third party provided that:             <ol style="list-style-type: none"> <li>if the Transfer occurs before the fourth anniversary of the Implementation Date, the TopCo Class A Securityholders have all consented to the Transfer. That consent may not be unreasonably withheld if requested after the second anniversary of the Implementation Date;</li> <li>if the TopCo Class B Securityholder is AOG L.P., the transfer is to a TopCo Class A Securityholder in accordance with the right of first refusal; and</li> <li>if the TopCo Class B Securityholder is not AOG L.P., the transfer occurs in accordance with the right of first refusal.</li> </ol> </li> <li>TopCo Securityholders must Transfer their TopCo Securities pursuant to the drag along provisions.</li> <li>TopCo Securityholders may Transfer their TopCo Securities pursuant to the tag along provisions.</li> <li>TopCo Securityholders must Transfer their TopCo Securities pursuant to the compulsory transfer regime where a Compulsory Transfer Event (as defined in row 15 below) has occurred.</li> </ol> <p>More detail on these circumstances is set out in rows 12-15 below.</p>

#	Topic	Summary
10	Dealing with TopCo Securities and AOG L.P. Securities <i>cont</i>	<p><b>AOG L.P. SECURITIES</b></p> <p>AOG L.P. Securities may only be transferred or cancelled, bought-back, redeemed or similarly dealt with in the following circumstances:</p> <ol style="list-style-type: none"> <li>1. AOG L.P. Limited Partners may Transfer some or all of their AOG L.P. Securities to an Affiliate at any time.</li> <li>2. If the AOG L.P. Limited Partner has required the AOG L.P. General Partner to commence the right of first refusal process in respect of their Proportionate TopCo Class B Securities, their AOG L.P. Securities may be: <ol style="list-style-type: none"> <li>a. cancelled or transferred to another AOG L.P. Limited Partner to the extent that the Proportionate TopCo Class B Securities offered pursuant to the right of first refusal process are acquired accordingly; and</li> <li>b. sold to other AOG L.P. Limited Partners or third parties if any of the Proportionate TopCo Class B Securities offered pursuant to the right of first refusal process have not been dealt with in accordance with paragraph (a) above.</li> </ol> </li> <li>3. AOG L.P. Securities must be cancelled to the extent the corresponding Proportionate TopCo Class B Securities are Transferred pursuant to the drag along provisions.</li> <li>4. AOG L.P. Securities may be cancelled to the extent the corresponding Proportionate TopCo Class B Securities are Transferred pursuant to the tag along provisions.</li> <li>5. AOG L.P. Securities must be cancelled to the extent the corresponding Proportionate TopCo Class B Securities are Transferred pursuant to the compulsory transfer regime where a Compulsory Transfer Event has occurred.</li> </ol> <p>More detail on these circumstances is set out in rows 12-15 below.</p> <p>For further details, see clause 14 of the TopCo Shareholders' Deed and Special Term 4 of the AOG L.P. Partnership Agreement.</p>
11	Exit	<p><b>Initiating an Exit</b></p> <p>An <b>Exit</b> means:</p> <ul style="list-style-type: none"> <li>• a sale of at least 50% of the TopCo Shares to a third party;</li> <li>• a sale of components of the TopCo Group's business or assets that generate at least 50% of the TopCo Group's revenue to a third party; or</li> <li>• an IPO of TopCo Shares or shares in any other TopCo Group member.</li> </ul> <p>TopCo Class A Securityholders who hold more than 50% of the TopCo Class A Shares may require the TopCo Group and other TopCo Securityholders to implement an Exit by issuing an Exit notice at any time.</p> <p>If TopCo Class A Securityholders who hold more than 50% of the TopCo Class A Shares have committed a Compulsory Transfer Event, another TopCo Securityholder who holds at least 5% of the TopCo Shares may require the TopCo Group and other TopCo Securityholders to implement an Exit by issuing an Exit notice. An AOG L.P. Limited Partner whose Proportionate TopCo Class B Securities constitute at least 5% of the TopCo Shares may require the AOG L.P. Limited Partner to issue an Exit notice in these circumstances.</p> <p><b>OBLIGATIONS WHERE AN EXIT IS INITIATED</b></p> <p>If an Exit is initiated, each TopCo Securityholder must, amongst other things, use its best endeavours to ensure that the Exit occurs in accordance with the Exit notice. In particular each TopCo Securityholder must do all things required by TopCo or the exiting TopCo Securityholders for the Exit including executing all documents, providing all information and assistance and exercising consent and approval rights (including voting rights) to achieve the Exit.</p>

# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

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#	Topic	Summary
11	Exit cont	<p><b>ESCROW ARRANGEMENTS</b></p> <p>In the case of an IPO, each TopCo Securityholder agrees to:</p> <ul style="list-style-type: none"><li>• such restrictions on the number of TopCo Securities or other securities in the IPO entity that it is permitted to sell in the IPO; and</li><li>• if the TopCo Securityholder holds 15% or more of all of the TopCo Shares at the time of the IPO, such escrow arrangements for its TopCo Securities or other securities in the IPO entity (provided that TopCo Class B Securityholders are not subject to escrow terms that are more restrictive than those that apply to TopCo Class A Securityholders, on a pro rata basis),</li></ul> <p>as the TopCo Board may reasonably require having regard to the advice given by the financial adviser on what is reasonably required or desirable for a successful IPO.</p> <p>For further details, see clause 13 of the TopCo Shareholders' Deed and Special Term 8 of the AOG L.P. Limited Partnership Agreement.</p>
12	Right of First Refusal	<p>If a TopCo Securityholder wishes to Transfer any of its TopCo Securities (<b>ROFR Securities</b>), it will be required to comply with the right of first refusal (<b>ROFR</b>) provisions in the Shareholders' Deed (unless the Transfer:</p> <ul style="list-style-type: none"><li>• is by a TopCo Class A Securityholder to an Affiliate or to a third party in circumstances where TopCo Class B Securityholders hold less than 15% of all TopCo Shares; or</li><li>• occurs pursuant to the drag along, tag along or compulsory transfer regime).</li></ul> <p>In calculating TopCo Class B Shareholders' percentage holding of TopCo Shares for the purposes of determining whether TopCo Class A Shareholders are required to comply with the ROFR process:</p> <ul style="list-style-type: none"><li>• issues of new TopCo Shares (other than the initial issue of the TopCo Class A1 Shares and TopCo Class B1 Shares and pro rata issues in which TopCo Class B Shareholders take up their pro rata entitlement of TopCo Shares being issued) will be disregarded; and</li><li>• the holdings of TopCo Class B Shareholders will only be taken to be reduced in circumstances where a TopCo Class B Shareholder transfers the Proportionate TopCo Class B Securities of an AOG L.P. Limited Partner that holds:<ul style="list-style-type: none"><li>- more than 50% of the AOG L.P. Units; or</li><li>- more AOG L.P. Units than any other Limited Partner.</li></ul></li></ul> <p><b>HOW A TOPCO SECURITYHOLDER OR AOG L.P. LIMITED PARTNER INITIATES THE ROFR PROCESS</b></p> <p>An AOG L.P. Limited Partner (<b>Initiating Limited Partner</b>) may require the AOG L.P. General Partner to initiate the ROFR process in respect of its Proportionate TopCo Class B Securities by giving notice to the AOG L.P. General Partner.</p> <p>A TopCo Securityholder (<b>ROFR Seller</b>) may initiate the ROFR process by giving notice (<b>ROFR Notice</b>) to TopCo and each TopCo Securityholder. If the ROFR Seller is:</p> <ul style="list-style-type: none"><li>• a TopCo Class A Securityholder, the ROFR Securities may be any number of that TopCo Securityholder's TopCo Securities;</li><li>• a TopCo Class B Securityholder other than AOG L.P., the ROFR Securities must be all of that TopCo Class B Securityholder's Securities; and</li><li>• AOG L.P., the ROFR Securities:<ul style="list-style-type: none"><li>- must be all of an Initiating Limited Partner's Proportionate TopCo Class B Securities, if the Initiating Limited Partner's Proportionate TopCo Class B Securities represent less than 5% of the TopCo Class B Shares; or</li><li>- may be any number of that Initiating Limited Partner's TopCo Class B Securities, if the initiating Limited Partner's Proportionate TopCo Class B Securities represent at least 5% of the TopCo Class B Shares.</li></ul></li></ul> <p>The ROFR Notice must specify, among other things, the identity of the ROFR Seller (and the identity of the Initiating Limited Partner, if applicable), the number and class of ROFR Securities and the terms on which the ROFR Seller is willing to sell the ROFR Securities, including the cash price per ROFR Security.</p>



#	Topic	Summary
12	<b>Right of First Refusal</b> <i>cont</i>	<p data-bbox="391 459 853 481"><b>WHAT HAPPENS ONCE A ROFR NOTICE IS GIVEN</b></p> <p data-bbox="391 488 1477 638">If a ROFR Seller gives a ROFR Notice, the TopCo Board may determine, within 20 business days and as a Board Reserved Matter, that TopCo will buy back, redeem, repay or cancel the ROFR Securities. If TopCo does buy back, redeem, repay or cancel an Initiating Limited Partner's Proportionate TopCo Class B Securities, the AOG L.P. General Partner will cancel the Initiating Limited Partner's corresponding AOG L.P. Securities and will pay the proceeds received from TopCo to the Initiating Limited Partner as consideration for the cancellation of the AOG L.P. Securities.</p> <p data-bbox="391 660 1477 806">If the TopCo Board does not make such a determination within 20 business days, TopCo must serve a <b>Further ROFR Notice</b> on all TopCo Securityholders (other than the ROFR Seller, unless the ROFR Seller is AOG L.P.), giving them the right to purchase the ROFR Securities. The AOG L.P. General Partner will give AOG L.P. Limited Partners (other than any Initiating Limited Partner) an equivalent notice giving AOG L.P. Limited Partners the right to acquire a corresponding number of AOG L.P. Securities.</p> <p data-bbox="391 828 1372 851"><b>HOW TOPCO SECURITYHOLDERS OR AOG L.P. LIMITED PARTNERS ACCEPT OFFERS UNDER THE ROFR</b></p> <p data-bbox="391 857 1477 1064">TopCo Securityholders receiving the Further ROFR Notice may, within 15 business days of the date of the Further ROFR Notice, elect to acquire more, equal to or less than their pro rata proportion of the ROFR Securities on the terms in the ROFR Notice (<b>Accepting TopCo Securityholders</b>) by giving a <b>ROFR Acceptance Notice</b>. Such an election must be unconditional, or conditional only on a Transfer Approval being received within 60 business days after giving the ROFR Acceptance Notice. AOG L.P. will elect to acquire the number of ROFR Securities that corresponds to the number of AOG L.P. Securities that AOG L.P. Limited Partners offered to acquire under the equivalent notice given to AOG L.P. Limited Partners.</p> <p data-bbox="391 1086 1324 1142"><b>HOW ROFR SECURITIES ARE ALLOCATED BETWEEN ACCEPTING TOPCO SECURITYHOLDERS AND AOG L.P. LIMITED PARTNERS</b></p> <p data-bbox="391 1149 1477 1220">If ROFR Acceptance Notices have been received for at least 100% of the ROFR Securities at the end of the 15 business day acceptance period, the ROFR Securities will be allocated amongst Accepting TopCo Securityholders as follows:</p> <ul data-bbox="391 1243 1477 1512" style="list-style-type: none"> <li data-bbox="391 1243 1477 1355">• to Accepting TopCo Securityholders pro rata according to the number of TopCo Shares already held by each Accepting TopCo Securityholder (provided that if AOG L.P. is the ROFR Seller and an Accepting TopCo Securityholder, the Proportionate TopCo Class B Securities attributable to the Initiating Limited Partner will be disregarded for the purposes of determining pro rata entitlements); and</li> <li data-bbox="391 1366 1477 1512">• any excess of ROFR Securities after this allocation will be allocated amongst Accepting TopCo Securityholders who have not already been allocated the maximum number of ROFR Securities specified by them in their ROFR Acceptance Notice. This allocation will be, as near as practicable, in the same proportions in which those Accepting TopCo Securityholders hold TopCo Shares, but not exceeding the maximum number of ROFR Securities specified by an Accepting TopCo Securityholder in their ROFR Acceptance Notice.</li> </ul> <p data-bbox="391 1534 1477 1682">If ROFR Acceptance Notices have been received for less than 100% of the ROFR Securities at the end of the 15 business day Acceptance Period, the ROFR Seller may elect (in its absolute discretion) to proceed with the sale of those ROFR Securities that the Accepting Shareholders have offered to acquire. If AOG L.P. is the ROFR Seller, the Initiating Limited Partner may approve the AOG L.P. General Partner making a decision to proceed with the sale of less than 100% of the ROFR Securities.</p>

# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

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#	Topic	Summary
12	Right of First Refusal <i>cont</i>	<p><b>HOW AN INITIATING LIMITED PARTNER'S PROPORTIONATE TOPCO CLASS B SECURITIES ARE DEALT WITH IF SOLD THROUGH THE ROFR PROCESS</b></p> <p>If an Initiating Limited Partner's Proportionate TopCo Class B Securities are sold pursuant to the ROFR:</p> <ul style="list-style-type: none"><li>any Proportionate TopCo Class B Securities accepted by TopCo Securityholders other than AOG L.P. will be transferred accordingly, the corresponding AOG L.P. Securities will be cancelled and the consideration received by AOG L.P. will be paid to the Initiating Limited Partner as consideration for the cancellation of its AOG L.P. Securities; and</li><li>any Proportionate TopCo Class B Securities accepted by AOG L.P. in respect of other AOG L.P. Limited Partners will continue to be held by AOG L.P., the corresponding AOG L.P. Securities will be transferred from the Initiating Limited Partner to the accepting AOG L.P. Limited Partners, and the price paid by the accepting AOG L.P. Limited Partner will be paid to the Initiating Limited Partner as consideration for the transfer of the AOG L.P. Securities.</li></ul> <p><b>WHAT HAPPENS WHEN AOG L.P. ACCEPTS TOPCO SECURITIES IF THE ROFR PROCESS HAS NOT BEEN INITIATED BY AN AOG L.P. LIMITED PARTNER</b></p> <p>Where AOG L.P. accepts TopCo Securities on behalf of accepting AOG L.P. Limited Partners through the ROFR Process and the ROFR Securities are not a AOG L.P. Limited Partner's Proportionate TopCo Class B Securities:</p> <ul style="list-style-type: none"><li>the AOG L.P. General Partner will issue new AOG L.P. Securities to accepting AOG L.P. Limited Partners that correspond to the class of ROFR Securities being acquired by AOG L.P.; and</li><li>the AOG L.P. General Partner will use the proceeds of the issue of the new AOG L.P. Securities to acquire the TopCo Securities from the ROFR Seller.</li></ul> <p><b>WHAT MAY HAPPEN IF SOME OR ALL OF THE ROFR SECURITIES REMAIN UNSOLD AFTER COMPLYING WITH THE ROFR PROCESS</b></p> <p>If any of the ROFR Securities have not been sold after complying with the ROFR process:</p> <ul style="list-style-type: none"><li>where the ROFR Seller is AOG L.P., the Initiating Limited Partner may sell the corresponding AOG L.P. Securities to a third party; or</li><li>where the ROFR Seller is any other TopCo Securityholder, the ROFR Seller may sell the ROFR Securities to a third party.</li></ul> <p>Any such sale to a third party must be:</p> <ul style="list-style-type: none"><li>for a cash price per ROFR Security (or corresponding AOG L.P. Security) that is greater than or equal to the price specified in the ROFR Notice;</li><li>on terms that are not materially more favourable to the buyers than those specified in the ROFR Notice; and</li><li>completed within 90 days after the deadline for TopCo Securityholders to give a ROFR Acceptance Notice.</li></ul> <p>For further details, see clause 15 of the TopCo Shareholders' Deed and Special Term 10 of the AOG L.P. Partnership Agreement.</p>
13	Drag along rights	<p>If one or more TopCo Class A Securityholders wish to sell 40% or more of the TopCo Class A Shares to a third party (including pursuant to an IPO), the relevant TopCo Class A Securityholders may serve a notice on the other TopCo Securityholders requiring them to sell the same proportion of their TopCo Securities (<b>Drag Proportion</b>), on the same terms and for the same price per TopCo Security as is payable to the relevant TopCo Class A Securityholders. If the sale price per TopCo Security is not a cash price, the sale price must be made up of securities that are listed on a recognised securities exchange or be formulated to include an option for any TopCo Securityholder to accept the fair market value of the securities in cash in lieu of the securities themselves.</p> <p>A drag notice issued by a TopCo Class A Securityholder may be withdrawn at any time by written notice to each other TopCo Securityholder. If a drag notice is withdrawn, the relevant TopCo Class A Securityholders must issue an invitation to tag to each other TopCo Securityholder (see 14 below).</p> <p>If TopCo Securities held by AOG L.P. are sold pursuant to the drag along process, the AOG L.P. General Partner will cancel the Drag Proportion of each Limited Partner's AOG L.P. Securities and the consideration received by AOG L.P. will be paid to the AOG L.P. Limited Partners as consideration for the cancellation of their AOG L.P. Securities.</p> <p>For further details, see clause 16 of the TopCo Shareholders' Deed and Special Term 11 of the AOG L.P. Partnership Agreement.</p>

#	Topic	Summary
14	<b>Tag along rights</b>	<p>If one or more TopCo Class A Securityholders wish to sell:</p> <ul style="list-style-type: none"> <li>• in the case of an IPO, any of their TopCo Class A Shares; or</li> <li>• in any other case, 40% or more of the TopCo Class A Shares to a third party,</li> </ul> <p>and the relevant TopCo Class A Securityholders have not issued a drag notice (or have issued and then withdrawn a drag notice) (see 13 above), then the relevant TopCo Class A Securityholders must give each other TopCo Securityholder an invitation to tag. The invitation to tag must specify, among other things, the proportion of all TopCo Class A Securities to be sold (<b>Tag Proportion</b>), the price per TopCo Security (or a minimum price or range in the case of an auction, dual-track trade sale or IPO), which need not be a cash price, and any other terms of the proposed sale, including any representations and warranties to be given.</p> <p>The invitation to tag allows the relevant TopCo Securityholders to require that the selling TopCo Class A Securityholders include the Tag Proportion of their TopCo Securities in the sale to the third party, on the same terms and for the same price per TopCo Security as is payable to the relevant TopCo Class A Securityholders.</p> <p>If AOG L.P. receives an invitation to tag, the AOG L.P. General Partner will give AOG L.P. Limited Partners an equivalent invitation which allows them to request the AOG L.P. General Partner to include the Tag Proportion of their Proportionate TopCo Class B Securities in AOG L.P.'s response to the invitation to tag.</p> <p>If an AOG L.P. Limited Partner's Proportionate TopCo Class B Securities are sold pursuant to the tag along process, the AOG L.P. General Partner will cancel the Tag Proportion of the AOG L.P. Limited Partner's AOG L.P. Securities and the consideration received by AOG L.P. will be paid to those AOG L.P. Limited Partners as consideration for the cancellation of their AOG L.P. Securities.</p> <p>For further details, see clause 17 of the TopCo Shareholders' Deed and Special Term 12 of the AOG L.P. Partnership Agreement.</p>
15	<b>Compulsory Transfer Events</b>	<p>TopCo Securities held by TopCo Securityholders, and Proportionate Class B TopCo Securities referable to AOG L.P. Limited Partners, will be subject to a compulsory disposal regime where a <b>Compulsory Transfer Event</b> has occurred in relation to the TopCo Securityholder or the AOG L.P. Limited Partner.</p> <p><b>WHEN A COMPULSORY TRANSFER EVENT OCCURS</b></p> <p>A Compulsory Transfer Event will occur in respect of a TopCo Securityholder where:</p> <ul style="list-style-type: none"> <li>• it becomes insolvent (without the written approval of the TopCo Board);</li> <li>• a change of control occurs in respect of it (without the written approval of the TopCo Board); or</li> <li>• it commits a material breach of the Shareholders' Deed or breaches any anti-bribery and corruption law or anti-money laundering law.</li> </ul> <p>If AOG L.P. is the TopCo Securityholder, where the insolvency, change of control or material breach is caused by:</p> <ul style="list-style-type: none"> <li>• one or more AOG L.P. Limited Partners, the Compulsory Transfer Event will only arise in respect of the Proportionate TopCo Class B Securities of those AOG L.P. Limited Partners and not any other AOG L.P. Limited Partners; or</li> <li>• the AOG L.P. General Partner, the Compulsory Transfer Event will only arise if AOG L.P. Limited Partners holding more than 50% of the AOG L.P. Units do not promptly use reasonable endeavours to take such actions as are necessary to require the AOG L.P. General Partner to remedy the insolvency, change of control or material default.</li> </ul>

# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

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#	Topic	Summary
15	<b>Compulsory Transfer Events</b> <i>cont</i>	<p>A Compulsory Transfer Event may also occur in respect of AOG L.P. where:</p> <ul style="list-style-type: none"><li>• an AOG L.P. Limited Partner:<ul style="list-style-type: none"><li>- becomes insolvent;</li><li>- suffers a change of control;</li><li>- contravenes any anti-bribery and corruption law or anti-money laundering law; or</li><li>- transfers, or attempts to transfer, their AOG L.P. Units other than in accordance with the AOG L.P. Partnership Agreement or otherwise commits a material breach of the AOG L.P. Partnership Agreement,</li></ul></li></ul> <p>provided that the Compulsory Transfer Event will only arise in respect of the Proportionate TopCo Class B Securities of the relevant AOG L.P. Limited Partner and not any other AOG L.P. Limited Partner;</p> <ul style="list-style-type: none"><li>• the AOG L.P. General Partner is replaced without the prior written consent of TopCo;</li><li>• any amendment to the terms of the AOG L.P. Partnership Agreement is approved by the AOG L.P. Limited Partners without the prior written consent of TopCo;</li><li>• AOG L.P. has any material assets other than TopCo Class B Securities or the proceeds of distributions or other amounts paid in respect of TopCo Class B Securities, or does anything that is materially inconsistent with the sole purpose for which it was established, being to hold TopCo Class B Securities; or</li><li>• AOG L.P. takes any action which causes, or fails to take any action required to avoid, the number of:<ul style="list-style-type: none"><li>- TopCo Class B1 Shares held by AOG L.P. being different to the number of AOG L.P. B1 Units;</li><li>- TopCo Class B2 Shares held by AOG L.P. being different to the number of AOG L.P. B2 Units; or</li><li>- TopCo Class B2 Notes held by AOG L.P. being different to the number of AOG L.P. B2 Notes.</li></ul></li></ul> <p>All Compulsory Transfer Events other than those relating to a breach of any anti-bribery and corruption law or anti-money laundering law are subject to a 20 business day cure period.</p> <p><b>WHAT MAY BE DONE IF A COMPULSORY TRANSFER EVENT OCCURS</b></p> <p>If a Compulsory Transfer Event occurs, any TopCo Securityholder may give a 'Defaulting Securityholder Notice' or 'Defaulting AOG L.P. Limited Partner Notice' (<b>Default Notice</b>) to TopCo Securityholder and TopCo. The AOG L.P. General Partner will give an equivalent notice to AOG L.P. Limited Partners.</p> <p>AOG L.P. Limited Partners may approve the AOG L.P. General Partner issuing a Default Notice.</p> <p>If a Default Notice has been given, the TopCo Board may determine that TopCo will buy back, redeem, repay or cancel:</p> <ul style="list-style-type: none"><li>• all of the TopCo Securities held by the defaulting TopCo Securityholder; or</li><li>• if the Compulsory Transfer Event has only arisen in respect of a particular AOG L.P. Limited Partner, all of that AOG L.P. Limited Partner's Proportionate TopCo Class B Securities,</li></ul> <p>(the <b>Compulsory Transfer Securities</b>) at the Compulsory Transfer Price (details of which are set out below). If any TopCo Securities held by AOG L.P. are bought back, redeemed, repaid or cancelled, the AOG L.P. General Partner will cancel the relevant AOG L.P. Limited Partner's corresponding AOG L.P. Securities and will pay the proceeds received from TopCo to the relevant AOG L.P. Limited Partner as consideration for the cancellation of the AOG L.P. Securities.</p> <p><b>WHAT HAPPENS IF THE TOPCO BOARD DOES NOT BUY BACK, REDEEM, REPAY OR CANCEL COMPULSORY TRANSFER SECURITIES</b></p> <p>If the TopCo Board does not determine to buy back, redeem, repay or cancel the Compulsory Transfer Securities, TopCo must issue a <b>Compulsory Transfer Notice</b> to the other TopCo Securityholders offering them the right to purchase their proportionate entitlement to the Compulsory Transfer Securities at the Compulsory Transfer Price. A TopCo Securityholder's proportionate entitlement to the Compulsory Transfer Securities will be equal to the proportion of all of the TopCo Shares it holds, disregarding the TopCo Shares held by the defaulting TopCo Securityholder or the Proportionate Class B TopCo Shares of the defaulting AOG L.P. Limited Partner, as applicable.</p> <p>If applicable, the AOG L.P. General Partner will give AOG L.P. Limited Partners an equivalent notice giving AOG L.P. Limited Partners the right to acquire an equivalent number of AOG L.P. Securities.</p>

#	Topic	Summary
15	<b>Compulsory Transfer Events</b> <i>cont</i>	<p data-bbox="389 465 906 497"><b>RESPONDING TO A COMPULSORY TRANSFER NOTICE</b></p> <p data-bbox="389 497 1453 725">TopCo Securityholders receiving the Compulsory Transfer Notice may, within 30 business days after the Compulsory Transfer Price is finally determined (see below), elect to acquire their proportionate entitlement of the Compulsory Transfer Securities, and any additional Compulsory Transfer Securities, on the terms in the Compulsory Transfer Notice. Such an election must be unconditional, or conditional only on a Transfer Approval being received within 60 business days after the TopCo Securityholder gives notice of its election to acquire Compulsory Transfer Securities. AOG L.P. will elect to acquire the number of Compulsory Transfer Securities that corresponds to the number of AOG L.P. Securities that AOG L.P. Limited Partners offered to acquire under the equivalent notice given to AOG L.P. Limited Partners.</p> <p data-bbox="389 750 1433 808">If a TopCo Securityholder receiving the Compulsory Transfer Notice holds at least 5% of the TopCo Shares, they may also respond by giving an Exit notice (see row 11 above).</p> <p data-bbox="389 833 1476 891"><b>HOW COMPULSORY TRANSFER SECURITIES ARE ALLOCATED BETWEEN ACCEPTING TOPCO SECURITYHOLDERS AND AOG L.P. LIMITED PARTNERS</b></p> <p data-bbox="389 891 1370 972">If acceptances have been received for any Compulsory Transfer Securities at the end of the 30 business day acceptance period, those Compulsory Transfer Securities will be allocated amongst accepting TopCo Securityholders as follows:</p> <ul data-bbox="389 987 1476 1144" style="list-style-type: none"> <li>• in their relevant proportions as noted in the Compulsory Transfer Notice; and</li> <li>• then, any excess of Compulsory Transfer Securities will be allocated amongst accepting TopCo Securityholders who have not already been allocated the maximum number of Compulsory Transfer Securities they agreed to accept. That allocation will be, as near as is practicable, in the proportions those TopCo Securityholders hold TopCo Shares, but not exceeding the maximum number of Compulsory Transfer Securities they agreed to accept.</li> </ul> <p data-bbox="389 1169 1425 1227"><b>WHAT HAPPENS IF ACCEPTANCES ARE RECEIVED FOR LESS THAN 100% OF THE COMPULSORY TRANSFER SECURITIES</b></p> <p data-bbox="389 1227 1458 1339">If acceptances have been received for less than 100% of the Compulsory Transfer Securities at the end of the 30business day acceptance period, TopCo may direct the defaulting TopCo Securityholder to Transfer the Compulsory Transfer Securities at the Compulsory Transfer Price to any third party or third parties determined by the TopCo Board within 180 days.</p> <p data-bbox="389 1364 1476 1422"><b>HOW AN AOG L.P. LIMITED PARTNER'S PROPORTIONATE TOPCO CLASS B SECURITIES ARE DEALT WITH IF SOLD THROUGH THE COMPULSORY TRANSFER PROCESS</b></p> <p data-bbox="389 1422 1414 1480">If an AOG L.P. Limited Partner's Proportionate TopCo Class B Securities are sold pursuant to the Compulsory Transfer process:</p> <ul data-bbox="389 1496 1469 1765" style="list-style-type: none"> <li>• any Proportionate TopCo Class B Securities accepted by Securityholders other than AOG L.P. will be transferred accordingly, the corresponding AOG L.P. Securities will be cancelled and the consideration received by AOG L.P. will be paid to the relevant AOG L.P. Limited Partner as consideration for the cancellation of its AOG L.P. Securities; and</li> <li>• any Proportionate TopCo Class B Securities accepted by AOG L.P. in respect of other AOG L.P. Limited Partners will continue to be held by AOG L.P., the corresponding AOG L.P. Securities will be transferred from the defaulting AOG L.P. Limited Partner to the accepting AOG L.P. Limited Partners, and the price paid by the accepting AOG L.P. Limited Partners will be paid to the relevant AOG L.P. Limited Partner as consideration for the transfer of the AOG L.P. Securities.</li> </ul> <p data-bbox="389 1789 1390 1848"><b>WHAT HAPPENS WHEN AOG L.P. ACCEPTS COMPULSORY TRANSFER SECURITIES IF THE COMPULSORY TRANSFER PROCESS HAS NOT BEEN INITIATED BY AN AOG L.P. LIMITED PARTNER</b></p> <p data-bbox="389 1848 1461 1928">Where AOG L.P. accepts Compulsory Transfer Securities on behalf of accepting AOG L.P. Limited Partners through the Compulsory Transfer Process and the Compulsory Transfer Securities are not an AOG L.P. Limited Partner's Proportionate TopCo Class B Securities:</p> <ul data-bbox="389 1944 1437 2060" style="list-style-type: none"> <li>• the AOG L.P. General Partner will issue new AOG L.P. Securities to accepting AOG L.P. Limited Partners that correspond to the class of Compulsory Transfer Securities being acquired by AOG L.P.; and</li> <li>• the AOG L.P. General Partner will use the proceeds of the issue of the new AOG L.P. Securities to acquire the Compulsory Transfer Securities.</li> </ul>

# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

#	Topic	Summary
15	<b>Compulsory Transfer Events</b> <i>cont</i>	<p><b>SUSPENSION OF VOTING RIGHTS</b></p> <p>From the date a Default Notice is issued until the date:</p> <ul style="list-style-type: none"><li>• the Compulsory Transfer Securities are transferred; or</li><li>• the TopCo Board can no longer direct the transfer of Compulsory Transfer Securities to third parties,</li></ul> <p>in respect of:</p> <ul style="list-style-type: none"><li>• a defaulting TopCo Securityholder, any TopCo Director appointed by the Defaulting Securityholder or its Affiliates; and</li><li>• a Defaulting AOG L.P. Limited Partner, if the Defaulting AOG L.P. Limited Partner holds more than 50% of the AOG L.P. Limited Partnership Units then on issue, any TopCo Director appointed by AOG L.P. or its Affiliates,</li></ul> <p>will not be entitled to exercise any voting rights at a meeting of the TopCo Board.</p> <p><b>DETERMINING THE COMPULSORY TRANSFER PRICE</b></p> <p>The <b>Compulsory Transfer Price</b> payable for each of the Compulsory Transfer Securities will be the price determined by the TopCo Board (as a Board Reserved Matter) within 20 business days after the Default Notice is given. If such a determination is not made or the defaulting TopCo Securityholder or AOG L.P. objects to the determination within 10 business days, then:</p> <ul style="list-style-type: none"><li>• if the Compulsory Transfer Event is that the defaulting TopCo Securityholder or AOG L.P. Limited Partner is the insolvency or change of control of that defaulter, the Compulsory Transfer Price is the fair market value of the Compulsory Transfer Securities; or</li><li>• in all other cases, the Compulsory Transfer Price is 90% of the fair market value of the Compulsory Transfer Securities.</li></ul> <p>The fair market value in these circumstances will be determined by an independent valuer.</p> <p>A defaulting AOG L.P. Limited Partner may advise the AOG L.P. General Partner to object to the TopCo Board's price determination.</p> <p>For further details, see clauses 18 and 19 of the TopCo Shareholders' Deed and Special Terms 13 and 14 of the AOG L.P. Partnership Agreement.</p>
16	<b>Restraint</b>	<p>While they hold TopCo Class B Securities and for a period of 3 years after they cease to hold TopCo Class B Securities, TopCo Class B Securityholders are not permitted to do any of the following in Australia:</p> <ul style="list-style-type: none"><li>• be directly or indirectly engaged, concerned or interested in or carrying on any business the same as or substantially similar to or competing directly with that conducted by any TopCo Group member;</li><li>• entice or attempt to entice any customer, supplier or employee of the TopCo Group away from the TopCo Group;</li><li>• directly or indirectly interfere with the TopCo Group's business or divulge to any person any information concerning the TopCo Group's business or any of their dealings, transactions or affairs; or</li><li>• hold or acquire (directly or indirectly) 5% or more of the securities in an entity or an economic interest in 5% or more of an entity that is a competitor of the TopCo Group.</li></ul> <p>A TopCo Class B Securityholder must procure that its related entities comply with this restriction.</p> <p>The restriction above applies equally to AOG L.P. Limited Partners as if they were Class B Securityholders.</p> <p>For further details, see clause 20 of the TopCo Shareholders' Deed and Special Term 15 of the AOG L.P. Partnership Agreement.</p>

## 10.2 Different regulatory regime for AOG L.P. Units

A different regulatory regime will apply to AOG L.P. Units as compared to Aveo Securities at present. As described fully in section 10.1 above, AOG L.P. Units will be issued to Scheme Securityholders who make the Scrip Election, subject to the Minimum Scrip Consideration Threshold being met and the Scaleback Arrangements. As a consequence, Scheme Securityholders who previously held Aveo Securities directly in Aveo will, following implementation of the Schemes, hold their interest in Aveo indirectly through the issue of AOG L.P. Units in AOG L.P., a TopCo Class B Shareholder.

As AOG L.P. is a foreign limited partnership, neither the Listing Rules nor Australia’s takeover regime under the Corporations Act will apply. In addition, other provisions of the Corporations Act will not apply. The effect of this change in structure means that investor protections currently available to Aveo Securityholders in respect of their Aveo Securities under the Listing Rules and the Corporations Act will not apply to those Aveo Securityholders who make the Scrip Election.

There is a risk that, because of the different regulatory regime that applies to an investment in AOG L.P. following the Implementation Date, AOG L.P. Limited Partners may not realise the outcome with respect to their investment that they intended, or which might have been available were their investment in a listed Australian entity.

A summary of some of the key types of investor protections that will no longer apply is set out in the table below. The summary is not exhaustive:

Aveo Securities	AOG L.P. Units
<b>Continuous disclosure (Listing rules – Chapter 3)</b>	
This Chapter contains obligations on listed entities to immediately disclose material price sensitive information to the market.	Neither TopCo or AOG L.P. will have an obligation to disclose material price sensitive information following implementation of the Schemes.
<b>Securities (Listing Rules – Chapter 6)</b>	
This Chapter provides that each class of equity security must be appropriate and equitable in ASX’s view. It also provides protections in relation to voting rights of holders of ordinary and preference shares.	The terms of the AOG L.P. Units are not subject to ASX’s approval.
<b>Changes in capital and share issues (Listing Rules – Chapter 7)</b>	
This Chapter requires issuers who issue more than 15% of a listed entity’s capital in a 12 month period to seek security holder approval, subject to certain exceptions. It also imposes limits on the ability of listed entities to issue shares under a rights issue, dividend or distribution plan or during a takeover unless prescribed conditions are met.	Holdings of AOG L.P. Units may be more easily diluted.
<b>Transactions with persons of influence (Listing Rules – Chapter 10)</b>	
This Chapter imposes restrictions on persons in a position of influence, such as related parties, a subsidiary, or a substantial holder, from entering into certain transactions with the listed entity unless certain conditions are met. In prescribed cases, transactions of this nature will require shareholder approval.	Related party transactions between AOG L.P., TopCo, Aveo and/ or their related parties may not require securityholder approval.
<b>Significant Transactions (Listing Rules – Chapter 11)</b>	
This Chapter requires a listed entity to obtain the approval of shareholders in certain circumstances (and where required by ASX), if it proposes to make a significant change to the nature or scale of its activities.	A significant change to the operations of Aveo may not require shareholder approval.
<b>Takeovers (Corporations Act – Chapter 6)</b>	



# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

## Aveo Securities

This Chapter sets out Australia's takeover regime. This regime is supplemented by ASIC Regulatory Guides and guidance notes issued by the Australian Takeovers Panel.

Chapter 6 prohibits a person from acquiring relevant interests in a listed company's shares where it would have the effect of causing the person's or someone else's voting power in the company to increase from 20% or below to above 20% or from a starting point of above 20% and below 90% unless an exception, such as a takeover bid or scheme of arrangement, applies.

The takeover regime in Chapter 6 contains a range of rules designed to provide investors with sufficient time and detailed disclosure requirements relating to a takeover bid so that they may assess the offer put to them by the bidder.

In addition, the takeover regime in Chapter 6 includes rules designed to provide for shareholders in a company which is the subject of a takeover to have an equal opportunity to participate in the offer and any takeover premium offered by the bidder.

## AOG L.P. Units

A person may acquire control of TopCo or Aveo in a manner that would have not been permitted had Chapter 6 of the Corporations Act applied, for example without making a takeover bid or proposing a scheme of arrangement.

A person may acquire control of TopCo or Aveo in circumstances where less information was disclosed to AOG L.P. Limited Partners or where less time was given to them to assess the offer put to them about the control transaction, than would have been permitted had Chapter 6 of the Corporations Act applied.

A person may acquire control of TopCo or Aveo in a manner that does not give shareholders equal opportunity to participate in the offer and any takeover premium offered by the bidder.

## 10.3 Schemes pro forma historical financial information

### a. Overview

The Schemes pro forma historical financial information set out in section 10.3 has been prepared to illustrate the:

- pro forma historical statement of profit or loss for the financial year ended 30 June 2019 (Pro forma Historical Statement of Profit or Loss);
- pro forma historical statement of financial position as at 30 June 2019 (Pro forma Historical Statement of Financial Position); and
- pro forma historical statement of cash flows for the financial year ended 30 June 2019 (Pro forma Historical Statement of Cash Flows),

(together, the **Schemes Pro forma Historical Financial Information**).

All amounts disclosed in this section 10.3 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest million. Tables in this section 10.3 have not been amended to correct immaterial summation differences that may arise from this rounding convention.

This section 10.3 should be read by Aveo Securityholders in conjunction with:

- the funding of the Scheme Consideration in section 9.9;
- the risks summarised in section 11; and
- section 8.3, which includes the Aveo statutory historical consolidated financial information.

The Schemes Pro forma Historical Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information by Deloitte Corporate Finance Pty Limited as Investigating Accountant, whose Investigating Accountant's Report is set out in Annexure I. Aveo Securityholders should note the scope and limitations of that report.

### b. Basis of preparation

As described above, subject to the Minimum Scrip Consideration Threshold being satisfied, Eligible Aveo Securityholders who elect the Scrip Consideration will be entitled to receive the limited partnership units in AOG L.P., a Bermuda exempted limited partnership which will hold TopCo Class B Securities.

The Schemes Pro Forma Historical Financial Information set out in this section 10.3 has been prepared to reflect the anticipated financial impacts of AOG L.P.'s investment in TopCo and the indirect acquisition of Aveo by TopCo. The Schemes Pro forma Historical Information is intended to provide Aveo Securityholders with an indication of the financial position of AOG L.P. and the historical profit or loss, financial position and cash flows of TopCo as if the Schemes had been implemented from 1 July 2018 in respect of the profit or loss and cash flows and 30 June 2019 in respect of the statement of financial position.

The Schemes Pro Forma Historical Financial Information does not reflect the actual consolidated profit or loss, financial position and cash flows of TopCo. It has been prepared solely for the purpose of inclusion in this Scheme Booklet and is provided for illustrative purposes only.



The Schemes Pro Forma Historical Financial Information has been derived from:

- the statutory historical consolidated financial statements of Aveo for the financial year ended 30 June 2019; and
- pro forma adjustments described in this section 10.3.

The statutory historical consolidated financial statements of Aveo for the financial year ended 30 June 2019 were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unmodified audit opinion in relation to these financial statements.

The Schemes Pro Forma Historical Financial Information has been prepared in accordance with recognition and measurement principles contained in AAS, other than it includes pro forma adjustments made to reflect TopCo's intended operating and capital structure following the implementation of the Schemes as if the structures were in place as of 1 July 2018 (excluding transaction costs), apart from the Pro forma Historical Statement of Financial Position.

### c. Presentation

The Schemes Pro forma Historical Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The Schemes Pro forma Historical Financial Information is not representative or suggestive of likely actual or prospective reported profit or loss, financial position or cash flows of TopCo. Aveo Securityholders should note that past results do not guarantee future performance.

TopCo has adopted a 31 December financial year-end. The first set of financial statements to be issued will be for period from the incorporation of TopCo to 31 December 2020.

The Schemes Pro forma Historical Financial Information assumes that:

- the Schemes are approved;
- the maximum number of shares are tendered under the scrip offer in accordance with the Maximum Scrip Election scenario in section 9.9(c)(2); and
- consideration to TopCo is contributed through a mix of:
  - shareholder loans (\$300 million) in the form of TopCo Class A1 Notes and TopCo Class B1 Notes, with TopCo Class A1 Notes contributing \$210 million and TopCo Class B1 Notes contributing \$90 million; and
  - equity (\$851 million) funded by the Brookfield AIVs and Aveo Securityholders who validly elect the Scrip Consideration, in the form of TopCo Class A1 Shares (with a value of \$596 million) issued to the Brookfield AIVs and TopCo Class B1 Shares (with a value of \$255 million) issued to AOG L.P.; and
- TopCo will utilise the Scheme Facilities in accordance with section 9.9(e) regardless of no Scrip Election or the Maximum Scrip Election.

The actual allocation of capital to be contributed to TopCo by the Brookfield AIVs and AOG L.P. as between TopCo Shares and TopCo Notes will be determined prior to implementation of the Schemes, however it is currently anticipated that the allocations will be within the following indicative ranges:

- between \$300 million and \$500 million will be contributed by way of TopCo Notes; and
- between \$651 million and \$851 million will be contributed by way of TopCo Shares.
- The assumed allocation set out in the Schemes Pro forma Historical Financial Information is for illustrative purposes only.

### d. Preliminary purchase price accounting

On implementation of the Schemes, TopCo would gain control over Aveo and therefore in accordance with AASB 3 Business Combinations, TopCo will be required to recognise the assets and liabilities of Aveo at fair value on the date of acquisition.

AASB 3 Business Combinations allows an acquirer a period of 12 months from the date of acquisition to finalise the identification and valuation process of all assets and liabilities. On this basis, TopCo will not complete this purchase price accounting process until after implementation of the Schemes.

# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

For the purpose of the Schemes Pro forma Historical Financial Information in this Scheme Booklet, TopCo has assumed the carrying value of assets and liabilities reported by Aveo in the statutory statement of financial position as at 30 June 2019 to be equal to fair value, with the exception of the Investment Properties.

As the purchase price accounting process has not been completed, additional finite life intangible assets and associated amortisation expense may arise, which has not been reflected in the Schemes Pro forma Historical Financial Information.

The preliminary purchase price accounting summarised in Table 1 has been prepared in accordance with the principles of AASB 3 Business Combinations. Table 1 below should be considered in conjunction with the Pro forma Statement of Financial Position set out later in this section.

**Table 1: Preliminary purchase price accounting**

	Amount (A\$m)
<b>Preliminary purchase price accounting</b>	
<b>Consideration</b>	
Scheme Consideration of \$2.15 per share <sup>1</sup>	1,255
<b>Total consideration</b>	<b>1,255</b>
<b>Net assets acquired</b>	
Aveo net asset value – 30 June 2019	2,050
Less:	
Unallocated purchase price	(771)
minority interest	(25)
<b>Aveo net asset value post adjustments</b>	<b>1,255</b>
Less: estimated transaction costs	(56)
Shareholder loans	(300)
Additional debt drawdown to partially fund the acquisition consideration <sup>2</sup>	(104)
Add back: minority interest	25
<b>Aveo net asset value post adjustments less costs and loans</b>	<b>820</b>

<sup>1</sup> Payment to the relevant Scheme Securityholders includes the Aveo Incentives under the Aveo Employee Share Scheme for the portion which requires cash settlement as set out in section 14.2(c).

<sup>2</sup> Additional debt drawdown from the Scheme Facility to fund the difference between the total consideration payable to Scheme Securityholders under the Schemes (\$1,255 million) and the total of funds received from the Brookfield AIVs and valid Scrip Elections made by Scheme Securityholders (\$1,151 million).

e. Pro-forma Historical statement of profit or loss

Table 2: Pro forma Historical Statement of Profit or Loss from continuing operations for the financial year ended 30 June 2019

Statement of Profit or Loss	Ref	Aveo Audited Statutory (FY19)	Pro Forma Adjustments	Aveo Pro Forma
Sale of goods		96	–	96
Revenue from rendering of services		173	–	173
Other revenue		6	–	6
<b>Revenue</b>		<b>275</b>	<b>–</b>	<b>275</b>
Cost of sales		(124)		(124)
<b>Gross profit</b>		<b>151</b>	<b>–</b>	<b>151</b>
Change in fair value of investment properties		(388)	–	(388)
Change in fair value of resident loans		94	–	94
Change in fair value of financial liabilities		2	–	2
Employee expenses		(57)	–	(57)
Marketing expenses		(33)	–	(33)
Occupancy expenses		(4)	–	(4)
Property expenses		(0)	–	(0)
Administration expenses	1	(24)	1	(23)
Inventory write-down to net realisable value		(6)	–	(6)
Finance costs	2	(18)	(23)	(42)
Other expenses		(25)	–	(25)
Ventures accounted for using the equity method		0	–	0
<b>(Loss)/profit from continuing operations before income tax</b>		<b>(307)</b>	<b>(23)</b>	<b>(330)</b>
Income tax benefit/(expense)	3	87	7	93
<b>(Loss)/profit for the year</b>		<b>(221)</b>	<b>(16)</b>	<b>(237)</b>

With reference to Table 2, the pro forma adjustments to the Statutory Historical Statement of Profit or Loss include:

1. An anticipated reduction of other expenses has been assumed in the Pro forma Historical Statement of Profit or Loss as Aveo will be delisted from the ASX upon implementation of the Schemes. The adjustment represents estimated costs incurred as a publicly listed company.
2. The pro forma adjustment to the net interest expense represents the anticipated incremental financing costs of \$7 million on the new debt facilities and the anticipated interest expense of \$16 million which is 12 months of interest payable on the shareholder loans (in the form of TopCo Class A1 Notes and TopCo Class B1 Notes). The amount of the shareholder loans will be confirmed prior to implementation of the Schemes and could be in an amount greater or less than that included in these pro forma financials.
3. The effective income tax rate of TopCo upon implementation of the Schemes is anticipated to be 30.0% reflecting the Australian corporate income tax rate. On this basis, the adjustment to the Income tax benefit/expense line has been applied to the proforma adjustments.

#### Application of AASB 16 (AASB 16)

Aveo disclosed in the financial statements for the year ended 30 June 2019 that the Aveo Group is in the process of considering the impact on the consolidated financial statements of the arrangements that provide the resident with rights to occupy a room in residential aged care facilities on the consolidated financial statements. Whilst the Resident Agreement has been assessed as a lease for the purposes of AASB 16, the Aveo Group is still considering the appropriate term of the "lease" and the implicit interest rate applicable to ensure that the accounting treatment complies with AASB 16. Agreements with residents may also include other non-lease components that are a result of the agreement. This may result in a gross up of the revenue and costs, depending on the nature of the non-lease components. As AASB 16 was not applicable for the period to 1 July 2019, the Pro Forma Historical Statement of Profit or Loss has not been adjusted to reflect the impact of AASB 16.

# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

## f. Pro-forma historical statement of financial position

Table 3: AOG L.P.'s Pro forma Historical Statement of Financial Position as at 30 June 2019

Statement of Financial Position: 30 June 2019	REF	AOG LP
		PRO FORMA
Equity Accounted Investment	1	255
Shareholder loan Receivable	2	90
<b>Total Assets</b>		<b>345</b>
Issued Capital	3	(345)
<b>Equity</b>		<b>(345)</b>

1. Assuming the maximum amount of Scrip Consideration is issued to Aveo Securityholders who make the Scrip Election as contemplated in the Scheme Booklet.
2. Assuming \$210 million of TopCo Class A1 Notes to be issued to the Brookfield AIVs and \$90 million of TopCo Class B1 Notes to be issued to AOG L.P., being in the same ratio as the Issued Capital. The amount of the shareholder loans (in the form of TopCo Class A1 Notes and TopCo Class B1 Notes) will be confirmed prior to implementation of the Schemes and could be an amount greater or less than in the pro forma financial statements. See further information in section 10.3(c).
3. The Issued Capital represents the value in the form of AOG L.P. B1 Units immediately after implementation of the Schemes assuming the Maximum Scrip Threshold is reached.

Table 4: Pro forma Historical Statement of Financial Position from continuing operations for the financial year ended 30 June 2019

Statement of Financial Position: 30 June 2019	Ref	Aveo	Pro Forma Adjustments	Aveo
		Audited Statutory (FY19)	Adjustments Sub-Total	Pro Forma
Cash and cash equivalents	1	53.3	(26.6)	26.7
Receivables and Other Assets		177.8	-	177.8
Inventories		81.4	-	81.4
Property, plant and equipment		143.8	-	143.8
Investment properties	2	6,117.7	(771.0)	5,346.7
Intangible assets		3.2	-	3.2
Derivative Assets		1.0	-	1.0
<b>Total Assets</b>		<b>6,578.2</b>	<b>(797.7)</b>	<b>5,780.5</b>
Payables		(229)	-	(229)
Provisions	3	(41)	26	(15)
Interest bearing loan and borrowings	4	(788)	(159)	(946)
Deferred revenue		(329)	-	(329)
Resident loans	5	(3,030)	-	(3,030)
Deferred tax liabilities		(113)	-	(113)
Shareholder loans	6	-	(300)	(300)
<b>Total Liabilities</b>		<b>(4,528)</b>	<b>(433)</b>	<b>(4,961)</b>
<b>Net Assets</b>				
Issued capital	7	(1,266)	415	(851)
Retained Earnings	8	(263)	319	56
Non-Controlling interests – Aveo Group Trust	9	(508)	508	-
Non-Controlling interests – Other	10	(25)		(25)
Reserve	11	11	(11)	-
<b>Equity</b>		<b>(2,050)</b>	<b>1,231</b>	<b>(820)</b>

With reference to Table 4, the pro forma adjustments to the Statutory Historical Statement of Financial Position include:

1. Cash and Cash Equivalents: adjustment to recognise the payment of the distributions payable and incremental funds estimated to be drawn from the scheme facilities and equity commitments net of anticipated transactions.
2. Investment Properties: The adjustment represents the difference between the agreed offer price and the net assets of Aveo as at 30 June 2019. This will be subject to a purchase price allocation and is likely to change. The tax impact of this adjustment will depend on the tax cost setting of investment properties where certain Aveo Group entities join a new tax consolidated group on the Implementation Date. The potential tax consolidation outcomes are subject to ongoing consideration and consequently potential changes in the related deferred tax balances have not been reflected. Any potential change in the related deferred tax liabilities will need to be considered together with the ability to recognise the Aveo Group's deferred tax assets.
3. Provisions: adjustment to recognise the payment of the distributions payable.
4. Borrowings: the adjustment to non-current borrowings represents the settlement of Aveo's existing debt financing facilities and the utilization of the Scheme Facilities. The borrowings presented in the Pro forma Statement of Financial Position reflects the estimated drawn Scheme Facilities of \$932 million net of anticipated capitalised borrowing costs of \$20 million along with an existing debt of \$36 million which remains on completion.
5. Resident Loans: the potential reduction of the resident loans for those legacy Aveo contracts which have a capital gain/loss sharing arrangement are not quantified for this pro forma financial purpose. This will be subject to a purchase price allocation at the Implementation Date.
6. Assumed \$210 million of TopCo Class A1 Notes to be issued to the Brookfield AIVs and \$90 million of TopCo Class B1 Notes to be issued to AOG L.P.. The amount of the TopCo shareholder loans (in the form of TopCo Class A1 Notes and TopCo Class B1 Notes) will be confirmed prior to implementation of the Schemes. See further information in section 10.3(c).
7. Issued capital of \$851 million represents the equity investment in TopCo (in the form of TopCo Class A1 Shares and TopCo Class B1 Shares) by the Brookfield AIVs and Scheme Securityholders who make a valid Scrip Election. See further information in section 10.3(c).
8. The Pro forma Historical Statement of Financial Position reflects the anticipated Schemes transaction costs of TopCo. The existing retained earnings and reserves of Aveo have been eliminated in the Pro forma adjustment.
9. The other non-controlling interests represent the remaining non controlling interests after eliminating the Aveo Group Trust's Non Controlling Interests.
10. The existing Aveo reserves are eliminated as proforma adjustments.

# 10. INFORMATION ON THE TOPCO CLASS B SECURITIES AND AOG L.P. UNITS CONT

## g. Pro-forma historical consolidated statement of cash flows

The Schemes Pro forma Historical Statement of Cash Flows exclude any cash flows from financing activities on the basis that the financing activities and capital structure of TopCo after implementation of the Schemes will vary significantly from that of Aveo.

**Table 5: Pro forma Historical Statement of Cash Flows from continuing operations for the financial year ended 30 June 2019**

Statement of Cash Flows		Aveo	Pro Forma Adjustments	Aveo
Ref		Audited Statutory (FY19)	Adjustments	Pro Forma
<b>Cash flows from operating activities</b>				
	Receipts from customers	445.2	-	445.2
1	Payments to suppliers and employees	(289.2)	1.1	(288.1)
	<b>Net receipts and payments</b>	<b>156.0</b>	<b>1.1</b>	<b>157.1</b>
	Interest received	0.4	-	0.4
2	Finance costs including interest and other costs of finance paid	(22.4)	(10.3)	(32.7)
	Dividends and distributions received	0.4	-	0.4
	GST recovered/(paid)	1.7	-	1.7
	<b>Net cash flows from operating activities</b>	<b>136.1</b>	<b>(9.2)</b>	<b>126.9</b>
<b>Cash flows from investing activities</b>				
	Payments for property, plant and equipment	(8.7)	-	(8.7)
	Payments for intangible assets	(1.0)	-	(1.0)
	Payments for investment properties	(202.2)	-	(202.2)
	Proceeds from the sale of investment properties	9.5	-	9.5
	Proceeds from sale of equity-accounted investments	9.8	-	9.8
	<b>Net cash flows (used in)/from investing activities</b>	<b>(192.6)</b>	<b>-</b>	<b>(192.6)</b>

With reference to Table 5, the pro forma adjustments to the Statutory Historical Statement of Cash Flows include:

1. An anticipated reduction of other expenses has been assumed in the Pro forma Historical Statement of Profit or Loss as Aveo will be delisted from the ASX upon implementation of the Schemes. The adjustment represents estimated costs incurred as a publicly listed company.
2. The proforma adjustment to the net interest expense represents the anticipated incremental financing costs of the new debt facilities and the anticipated half year interest payment on the shareholder loans. Note that the interest payment date is 31 December.
3. The final dividend/distribution expected to be paid on or about 30 September 2019.

# 11. RISK FACTORS

## 11.1 Introduction

The Schemes present a number of potential risks that Aveo Securityholders should consider when deciding how to vote on the Schemes.

This section outlines some of the:

- Risks relating to the business and operations of Aveo, including your current investment in Aveo Securities (see sections 11.2 and 11.3);
- Specific risks relating to the AOG L.P. Units (see section 11.4); and
- General risks relating to the Schemes (see section 11.5).

The risks in sections 11.2 and 11.3 relating to the business and operations of Aveo will only apply to you if:

- you retain your Aveo Securities in circumstances where the Schemes do not proceed;
- you retain your Aveo Securities in circumstances where the Schemes are not implemented; or
- you receive units in AOG L.P. by making an Election for the Scrip Consideration in circumstances where the Schemes are implemented, which gives you an ongoing exposure to the business of Aveo through AOG L.P. (in which case, you will also be exposed to the risks in section 11.4 relating to AOG L.P. Units).

You will not be exposed to the risks in this section 11 if the Schemes are implemented and you receive the Cash Consideration. In light of this, the Aveo Directors have unanimously recommended that you vote in favour of the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders. The Aveo Directors make no recommendation in relation to the Scrip Consideration due to the speculative nature of the AOG L.P. Units and the fact that their appropriateness will depend significantly on the characteristics and risk profile of individual securityholders.

The outline of risks in this section 11 is a summary only and should not be considered exhaustive. This section 11 does not purport to list every risk that may be associated with an investment in Aveo now or in the future or that may be associated with the Schemes being implemented. The occurrence or consequences of some of the risks described in section 11 may be partially or completely outside the control of Aveo or Brookfield Group or their respective directors and senior management teams.

These risks do not take into account the individual investment objectives, financial situation, position or particular needs of Aveo Securityholders.

**The Aveo Board makes no recommendation in relation to the Scrip Consideration, due to the speculative nature of the AOG L.P. Units and that whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor.**

**The Aveo Board notes that there are significant risks involved in an investment in the foreign unlisted AOG L.P. which is very different from holding the securities you currently have in Aveo as an ASX-listed company. Please see section 5.3 for factors Aveo Securityholders who are considering making an election for Scrip Consideration should take into account and section 11.4 for more information in relation to the risks associated with an investment in AOG L.P.**

You should carefully consider the risks discussed in this section 11, as well as the other information contained in this Booklet before voting on the Scheme.

## 11.2 General Risks

Aveo Securities carry no guarantee in respect of profitability, distributions, return of capital or the price at which they may trade on ASX. If the Schemes do not become Effective, the market price of Aveo Securities and future distributions made to Aveo Securityholders will be influenced by a number of factors beyond the control of the Aveo Directors and management, including:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in general economic conditions (both domestically and internationally) including inflation, interest rates, employment levels, consumer demand and credit markets;
- residential property market conditions;
- changes in government fiscal, monetary and regulatory policies;
- changes in accounting standards which affect the financial performance and position reported by Aveo; and
- natural disasters and catastrophes, whether on a global, regional or local scale.

# 11. RISK FACTORS CONT

## 11.3 Risks relating to the business and operations of Aveo

In considering the Schemes, you should be aware that there are a number of general risk factors, as set out in section 11.2 above, as well as risks specific to Aveo and the industries in which it operates, which could materially and adversely affect the future operating and financial performance of Aveo.

Many of these risks are currently relevant to Aveo Securityholders and will only continue to be relevant to Aveo Securityholders if they retain their Aveo Securities in circumstances where:

- the Schemes are not implemented; or
- they receive AOG L.P. Units in circumstances where the Schemes have been implemented (by making an Election for Scrip Consideration), which gives them exposure to the business of Aveo through AOG L.P.

### a. Challenging company and industry dynamics

Aveo has experienced a number of company and industry specific issues and macroeconomic challenges in recent years. This includes:

- adverse media reporting from Fairfax media and ABC Four Corners which adversely affected public perceptions of Aveo and demand from new residents
- heightened regulatory scrutiny of Aveo and the retirement industry; and
- challenging industry dynamics, including tightening lending standards and availability of credit.

For more detail of these dynamics and their impact on Aveo's business, see the Chairman's letter at page 9 and pages 3 and 13 of the Independent Expert's Report.

### b. Fall in Aveo Security price

If the Schemes are not implemented, and in the absence of a Superior Proposal being implemented, Aveo Securities will remain quoted on ASX and will continue to be subject to market volatility, including as a result of general stock market movements, and the impact of both domestic residential property market and general economic conditions.

If the Schemes are not implemented, and in the absence of a Superior Proposal being implemented, the Aveo Directors currently anticipate that the market price of Aveo Securities on ASX may fall below current trading levels, all other things remaining equal.

### c. Prolonged downturn in residential property market

Like all entities with an exposure to residential property, the value of, and returns from, Aveo's retirement living and aged care assets may fluctuate depending on residential property market conditions and growth rates. The residential property market as an asset class changes over time and can be influenced by general economic factors such as interest rates, stock market cycles and availability of financing. A sustained decline in the residential property market may adversely affect the operations and financial performance of Aveo.

As people typically move into a retirement village following the sale of their family home, there is a risk that a general downturn in the property market may limit potential residents' ability to sell their home and relocate into an Aveo retirement village.

### d. Aveo's portfolio may be subject to impairments

Aveo is required to monitor the carrying value of its assets to ensure that the values represented on its balance sheet are appropriate. There is a risk that the carrying value of Aveo's assets may be higher than their value in use or fair value less costs to sell. In such a case, Aveo would be subject to impairments which may impact upon its balance sheet position and profitability, including amounts available for dividends.

### e. Retirement market conditions

Aveo earnings and cash flows from deferred management fees and capital gains are affected by movements in the underlying prices of the retirement village units. Retirement village pricing is generally correlated with residential housing as retirees usually sell their principal residence to pay the upfront price of the occupation right for their retirement home. Consequently, the risks affecting the residential property market are relevant for the Aveo Group retirement operations. Specific risks include:

- a reduction in market prices for established residential housing may reduce the value realized by customers from the sale of their property and affect their capacity to purchase a retirement village unit. This could be expected to reflect in a slower take-up of retirement village units and lower prices for these units; and
- changes in the discount rates or property price growth assumptions that are considered appropriate by professional valuers in response to changes in market conditions.



#### f. Potential illiquidity

Property assets, in particular retirement village units, are by their nature illiquid investments. Therefore, it may not be possible for Aveo to dispose of assets in a timely manner. To the extent that Aveo invests in properties for which there may only be a limited number of potential investors, the realisable value of those assets may be less than the full value indicated by Aveo's expectations of future cash flows from the relevant properties.

#### g. Property investment risk

Factors affecting investment property values include capitalisation and discount rates, growth outlooks, supply and demand, economic factors, environmental issues, native title claims, land resumptions and major infrastructure developments.

Changes in market conditions for investment properties may impact Aveo assets held for investment, including vacancy rates, rental rates, incentive levels, and tenant default, potentially reducing the income and carrying value of Aveo assets. Challenging market conditions may result in delays in achieving sales or a reduction in the realisable values of property assets (including retirement village units held on balance sheet).

Tenants of income producing assets who become distressed or insolvent may also reduce the income received by Aveo Group.

As part of its current business strategy, Aveo is undertaking an asset sales program, which involves the sale of retirement and non-retirement assets. External factors and market conditions may inhibit Aveo's ability to realise the carrying value of its properties upon sale. There can therefore be no guarantee that Aveo will realise an amount at or above the carrying value of its properties upon sale or that Aveo will necessarily find buyers for all of the assets it wishes to sell. Rather, there is a risk that Aveo may be unable to find a buyer for some or all of the assets it wishes to sell or that, if a buyer is found, the sale takes place for an amount below the carrying value of the relevant assets to Aveo. If Aveo is required to sell assets in order to meet obligations to repay debt then there is also a risk that this may affect the price that Aveo is able to realise in respect of those assets.

#### h. Resident preferences and obsolescence

Resident preferences for retirement village assets are subject to change. Current preferences are no indication of future preferences. Although there is currently strong demand for a lifestyle based product, there is no assurance that this preference will be sustained in the future. Any current preference accommodated by Aveo may not suit future retirement village residents. Over time, Aveo may need to redevelop its existing villages as basic resident requirements change and product becomes obsolete. This could adversely impact future costs and cash flows.

#### i. Contracts and agreements

There are a number of risks associated with Aveo's existing contracts and agreements, including those related to previous acquisitions, information technology contracts and property leases. There is a risk that the Aveo's existing contracts may be terminated, lost or impaired, or renewed on less favourable terms. Some of Aveo's contracts can be terminated without cause or on short notice periods (depending on the termination event or circumstances), and although the relevant parties may continue to operate on existing commercial terms, a number of its existing contracts have expired or will shortly expire. Aveo may be subject to termination break fees in certain circumstances. A loss of any of Aveo's contracts could have a materially adverse effect on its business, operating and financial performance.

#### j. Litigation, regulatory and claims risk

In the course of its operations, Aveo may be involved in disputes, including through industry complaints schemes, litigation and investigations, whether by regulatory bodies or other third parties. Litigation, disputes and investigations may be with or without merit. The costs of defending and resolving such claims and proceedings can be substantial, even with respect to claims which have no merit.

A risk exists that material or costly disputes, litigation or investigations could affect the financial performance of Aveo and the price or value of Aveo Securities. There is also a risk that Aveo's reputation may suffer due to the profile of, and public scrutiny surrounding, any regulatory investigation, litigation or dispute, regardless of the outcome.

#### k. Ability to refinance debt or access debt and equity capital markets

Aveo obtains significant funding from banks and other non-bank lenders. Aveo is subject to the risk that it may not be able to refinance its bank facilities when they fall due or that the terms (including in relation to pricing) on refinancing will be less favourable than the existing terms. If there is a deterioration in the level of debt market liquidity, this may prevent Aveo from being able to refinance some or all of its debt. In addition, Aveo may in the future require additional debt or equity capital in order to fund growth strategies, in particular for acquisition opportunities that may arise from time to time. There is a risk that Aveo may be unable to access debt or equity funding from the capital markets on favourable terms, or at all.

# 11. RISK FACTORS CONT

## l. Risk of breaching debt covenants

Aveo's ability to comply with covenants in its debt facilities (including gearing or interest cover ratios) and to refinance or repay its debt facilities as they fall due is predicated on it meeting its internal budget projections. Finance risks are impacted by numerous factors, most notably market conditions (including, for example, a decline in property values or reduction of rental income) and the financial position of Aveo.

## m. Clinical care standard risk

As a provider of serviced apartments, Freedom Care and residential aged care, Aveo requires an effective system of clinical governance to promote the health, safety and quality of care of its residents, and to ensure compliance with applicable legislation and departmental policy requirements.

Aveo may experience a decline in its clinical care outcomes in circumstances where:

- clinical incidents are not identified, assessed or reported appropriately (including due to ineffective communication from individual sites to management at the regional or national level, or delays in implementing Aveo's quality assurance systems across newly developed or acquired sites);
- Aveo's employees do not follow processes and/or procedures, whether inadvertently or deliberately;
- external health consultants do not provide services they were engaged to provide or do not provide them at the expected level of service; or
- residents or their relatives or friends do not follow Aveo's instructions or guidelines.

In addition, in the event that a resident or visitor is injured at an Aveo site, or an Aveo employee or contractor is injured in the course of their employment, Aveo may be liable for penalties, sanctions or damages.

Any failure to meet clinical care standards may attract adverse publicity and damage Aveo's reputation, and limit Aveo's ability to market its facilities on the basis of high quality clinical care.

Clinical care failures may also constitute breaches of Aveo's regulatory compliance obligations, which could lead to a loss of accreditation or approved provider status.

Such a decline in clinical outcomes or clinical failures could adversely impact Aveo.

## n. Development market condition risk

Aveo's operating cash flow is influenced by, amongst other things, retirement village unit sales to residents, residential land sales to builders, home owners and investors, and commercial development sales to professional investors and institutions. A sustained downturn in the economic climate has the potential to reduce or delay Aveo's cash flow receipts, from among other things, sales of residential and commercial real estate. Timing and volume of sales are particularly dependent on prevailing market conditions. Delays in cash flows could adversely impact Aveo's ability to fund its operations and may impact Aveo's ability to comply with its debt obligations and covenants.

## o. Construction, development and planning risks

Part of Aveo's strategy is to identify, analyse and invest in development projects. Development projects have a number of inherent risks in addition to those associated with acquisitions generally, including:

- a risk that appropriate planning consents are not obtained or, if obtained, are not properly adhered to;
- a risk that development costs escalate beyond those originally anticipated;
- a risk of project delays due to factors beyond the control of Aveo and any property development manager who may be appointed to manage the development project;
- a risk that any property development manager and/or contractor appointed to implement a development project does not perform their role to a satisfactory standard or acts or fails to act in breach of contract;
- a risk that competing development projects adversely affect the overall return achieved by any development projects undertaken by Aveo, because they provide competitive alternatives;
- a risk that market conditions change during any development;
- a risk that planning consents are not obtained or not as originally planned; and
- a risk that delays in the construction timetable could mean that funds including external debt are committed for a longer period than anticipated incurring additional expenses for Aveo.

Although some of these risks can be mitigated, it is not possible to remove entirely the risks inherent in Aveo's development projects.

**p. Occupational health and safety (OH&S) risk**

Work practices resulting in fatality and/or serious injury or a failure to comply with the necessary OH&S regulatory requirements could result in damage to Aveo's reputation, fines, penalties and compensation for damages as well as poor employee morale and industrial action.

**q. Unexpected capital expenditure**

Aveo properties or retirement villages may require significant unforeseen capital expenditure, which may not be able to be recovered from residents or tenants.

**r. Competition risk**

Aveo will face competition from other Australian industry participants in the retirement village and aged care sector, as well as the threat of new competitors. The existence or escalation of competition to levels not currently encountered or anticipated could result in lower occupancy rates than anticipated, price reductions, under-utilisation of employees, reduced operating margins and loss of market share. Any of these occurrences could adversely affect Aveo's operations and financial condition. There can be no assurance that Aveo will be able to compete successfully against future competitors. As the business grows, and especially if new competitors emerge, it may become more difficult to identify areas with the same high concentration of seniors in the locality that Aveo has been able to identify to date.

**s. Distribution risk**

Aveo's future distribution levels will be determined by the Aveo Directors having regard to the operating results and financial position of Aveo.

**t. Unsold stock**

Several villages in Aveo's portfolio include a level of stock. There is a risk that these units will not be transferred to new residents at the rate assumed in the Forecast Financial Information and Aveo's cash flows may be reduced as a result.

**u. Reputation**

Aveo relies on its reputation in the day-to-day running of its business. Aveo manages risks relating to legal and regulatory requirements, responsible care practices, potential conflicts of interest, privacy laws and ethical issues, among other considerations, which may cause harm to its reputation. Any adverse perception of Aveo's reputation or image on the part of investors, residents, counterparties, lenders or regulators could materially adversely affect Aveo's business, operating or financial performance.

**v. Attraction and retention of quality personnel**

The successful operation of Aveo relies on its ability to attract and retain experienced and high-performing employees with requisite skills (including in particular, a highly skilled management team). Failure to appropriately recruit and retain employees may adversely affect Aveo's ability to develop and implement its business strategies, result in a material increase in the costs of obtaining experienced and high-performing employees and could materially adversely affect Aveo's business, operating and financial performance.

**w. Environmental risk**

The discovery of, or incorrect assessment of costs associated with, environmental contamination on any of the Aveo projects or assets could have an adverse effect on the profitability and timing of receipt of revenue from that project or asset. The Aveo practice is to undertake environmental due diligence on any property before acquisition.

**x. Climate change and climatic conditions**

Aveo could be adversely impacted by a loss of market share if operations are not addressing community expectations or matching competitor products on sustainability issues.

Prolonged adverse weather conditions may result in delays in construction or marketing thereby deferring recognition of revenue and profit.

**y. Industrial disputes**

In the course of its operations, Aveo may be involved in disputes, including through industry complaints schemes, and litigation. A risk exists that material or costly disputes or litigation could affect the financial performance of Aveo and the price or value of Aveo securities.

# 11. RISK FACTORS CONT

## z. Regulatory risk

Retirement villages and resident contracts relating to the villages are regulated by relevant Commonwealth and state based legislation. Deferred management fee structures are largely determined by that legislation and local market conditions. Any further regulation of deferred management fee structures or of the operation of retirement villages generally has the potential to adversely impact future revenues and cash flows. In addition, changes in the regulatory regimes under which Aveo operates may have a significant impact on the financial and operational performance of Aveo as well as the price of Aveo Securities.

Aveo is exposed to risks that may adversely affect the future value of Aveo's total accommodation bonds/refundable deposits including:

- specific issues arising in Aveo's business, such as a non-compliance or loss of certification at a facility. A sanction could prohibit the admission of new residents and collection of Aged Care Funding Instrument (which is used to allocate government subsidies to residential aged care providers) funding from existing residents. In addition, a sanction could prohibit the charging of accommodation payments or accommodation contributions that Aveo could typically charge for a place; and
- regulatory changes that limit Aveo's ability to acquire replacement or new refundable accommodation deposits.

## aa. Tax risk

Tax laws in Australia, and the foreign jurisdictions in which Aveo operates, are complex and are subject to change periodically as is their interpretation by the courts and the tax revenue authorities. There is therefore potential for further changes to these tax laws. Any changes to the tax laws and tax rates imposed on Aveo in Australia and these foreign jurisdictions give rise to uncertainty and may affect securityholder returns.

## aa. Insurance risk

Any material change or deterioration in Aveo's risk profile or insurance market conditions could have a corresponding negative impact on Aveo. Specific risks include reduction in insurance and reinsurance capacity, increases in premium and deductibles, restrictions on the scope and availability of cover. Also, some force majeure risks are uninsurable or cannot be fully insured. 'Force majeure' is the term generally used to refer to an event beyond the control of a party to a contract that prevents a party discharging its obligations under the contract. An event of force majeure may include 'acts of god' (such as fire, flood and earthquakes), 'acts of man' (such as strikes and industrial action) and 'acts of government' (such as embargoes). If such an event occurs, this may have an adverse effect on an asset (or cash flows) of Aveo.

## bb. Human resources risk

Whilst Aveo makes significant effort to retain key management personnel, there can be no guarantee that it will be able to do so. Any loss of key management personnel could adversely affect Aveo's business, results of operations or financial condition and performance.

## cc. Accounting standards risk

Australian accounting standards (AAS) are set by the Australian Accounting Standards Board (AASB) and are outside the control of either Aveo or its Directors. There is a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to AAS issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.

## dd. Technology risk

The use of information technology and the effectiveness of Aveo's technology platforms are important to the ability of Aveo to deliver services to its clients and to continue to grow the business. By their nature, information technology systems are susceptible to cyber attacks. Security breaches may involve unauthorised access to Aveo's networks, systems and databases, exposing financial, proprietary and personal user information. It is possible that the measures taken by Aveo to protect its proprietary information and the private information of its clients may not be sufficient to prevent unauthorised access to, or disclosure of, such data. Any accidental or deliberate security breaches or other unauthorised access to Aveo's information technology systems or client data may subject Aveo to reputational damage, a loss of confidence in the services it provides, claims by clients, loss of clients, a disruption of services to clients, legal action and regulatory scrutiny.

## ee. Retirement industry specific risks

### Occupancy risk

As the costs of managing an aged care facility are largely fixed in the short term, occupancy is a key driver of financial outcomes in the aged care sector. There is no assurance that occupancy levels at aged care facilities will follow historical occupancy trends at Aveo's aged care facilities (they may be higher, remain static or be lower). Fluctuating occupancy levels have a direct impact on the returns of Aveo.

### Repayment and value of refundable accommodation deposits/accommodation bonds

Aveo is exposed to risks associated with the repayment of refundable deposits (including refundable accommodation deposits) and accommodation bonds and future receipt of refundable deposits (including refundable accommodation deposits), as the value of, and returns from, Aveo's accommodation bonds and refundable deposits may fluctuate depending on investment market conditions and general investment risk. If a larger than expected number of bond/refundable deposit paying residents were to leave Aveo's aged care facilities (for example because a facility lost its accreditation, or suffered a clinical issue, or if Aveo decided to renovate or develop its existing facilities and needed its residents to vacate its facilities), Aveo would be required to repay a large sum of accommodation bonds/refundable deposits, all of which may not be able to be replaced immediately. There is a risk that if Aveo does not have sufficient capital to replace the bonds/refundable deposits immediately, Aveo may be required to borrow funds at terms that are unfavourable to Aveo, or (in extreme circumstances) may not be able to borrow funds at all.

Aveo is exposed to risks that may adversely affect the future value of Aveo's total accommodation bonds/refundable deposits including:

- a general reduction in the price that can be achieved for new refundable deposits, which may result from falls in residential property prices, lower levels of personal wealth or a deterioration of property market conditions in the areas surrounding Aveo's facilities. As incoming residents typically move into a facility after selling their family homes, there is a risk that a downturn in the property market may limit potential residents' ability to relocate into a facility. Specifically, such a downturn may affect the ability of potential incoming residents to sell their own homes or sell them at prices that allow them to pay the facility's minimum accommodation payment amount;
- a failure of Aveo's pricing models to determine a competitive or market pricing of refundable deposits, which may deter prospective residents from entering into Aveo's facilities;
- the offer by competitor facilities of places at more attractive facilities or places comparable to Aveo's (and/or with lower refundable deposits), within catchment areas in which Aveo operates, resulting in residents choosing an alternative facility; and
- demand for Aveo's aged care services changing over time due to general economic factors impacting the ability of prospective residents to pay for such services (such as economic downturns, softness in the housing market, unemployment among a resident's family members, lower levels of consumer confidence and personal wealth, and share market volatility) and social factors (such as population demographics and an increased demand for home and community care).

Any one or a combination of these events could result in a reduction in the price and amount of new refundable deposits received, or the length of time it takes for Aveo to reach agreement with new residents or collect new refundable deposits, which would have an adverse impact on Aveo's liquidity and funding, and may adversely affect Aveo's financial performance, financial position and future prospects.

#### ff. Compliance risk

The aged care industry is focused strongly on ensuring the adequacy and appropriateness of resident care. Operators must be granted approved provider status by the Federal Department of Health and Ageing and are subject to regular audits and unannounced facility inspections. Failure to adhere to appropriate standards may result in loss of approved provider status. An operator is not allowed to operate any aged care facilities if they lose their approved provider status.

#### gg. Reputational risk

The closure of a facility and the potential loss of approved provider status due to inadequate or inappropriate care may lead to criminal or civil penalties and sanctions under the Aged Care Act 1997 (Cth). Any such penalty or sanction could have a sustained direct and/or indirect impact on Aveo's business. This may have an adverse impact upon liquidity. However, the Board and management team are aware of their obligations and responsibilities to residents, have in place systems to address this risk and note that they have operated aged care facilities for many years.

#### hh. Operational risk

Any deficiencies in the standard of care provided by Aveo to residents in its aged care facilities may result in the closure of the relevant facility and/or reduced occupancy and bond levels, as a result of regulatory action or adverse publicity.

#### ii. Government policy and regulatory risk

The Federal Department of Health and Ageing sets the standards for resident acuity and required concessional levels. It also funds a significant proportion of aged care revenue. Any change in the categorisation of resident acuity or concessional or funding arrangements may adversely impact the financial performance of Aveo. There is no guarantee that current levels of Government assistance will continue in the future. Changes in the regulation of the aged care industry may also impact the level of subsidies available.

# 11. RISK FACTORS CONT

## jj. Access to qualified staff

The ongoing successful operation of Aveo's aged care facilities will depend on access to appropriately qualified aged care and nursing staff. Retaining and attracting qualified aged care and nursing staff will be important to Aveo's operations. Aveo's level of service and consistency of care may suffer due to the higher turnover rates usually associated with this type of employment. Loss of key personnel may have a material adverse effect on the financial performance and condition of Aveo's businesses.

## 11.4 Specific risks relating to the AOG L.P. Units

This section 11.4 sets out some of the key risks relating to AOG L.P. Units. These risks will only apply to Aveo Securityholders who elect to receive the Scrip Consideration instead of the Cash Consideration.

Before making a Scrip Election, Aveo Securityholders should carefully read this Scheme Booklet in its entirety and specifically consider the risks in this section 11.4 before making a Scrip Election (noting that the Aveo Directors have recommended that you vote in favour of the Schemes on the basis of the Cash Consideration, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Aveo Securityholders, and they make no recommendation in relation to the Scrip Consideration due to the speculative nature of the AOG L.P. Units and the fact that their appropriateness will depend significantly on the characteristics and risk profile of individual securityholders).

These risks relating to AOG L.P. Units are materially different from, and in addition to, those risks set out in section 11.3 that apply to your current investment in Aveo Securities. These risks may, individually or in combination, have a material adverse effect on TopCo's future financial performance, financial position, cash flows, distributions and/or your ability to dispose of AOG L.P. Units if you wish to do so and, consequently, on the value of your AOG L.P. Units.

Aveo Securityholders should note that this section 11.4 is not an exhaustive list of the risks relating to AOG L.P. Units, and that many of these risks are outside the control of BidCo and any Brookfield Group Member and either cannot be mitigated or can only be partially mitigated.

You should carefully consider these risks in light of your personal circumstances and seek professional advice from your accountant, tax adviser, stockbroker, lawyer or other professional adviser before making a Scrip Election.

## a. Different regulatory regime

A different regulatory regime will apply to AOG L.P. Units as compared to Aveo Securities at present. There is a risk that, because of the different regulatory regime, AOG L.P. Limited Partners may not realise the outcome with respect to their investment that they intended, or which might have been available were their investment in a listed entity.

Ordinarily a limited partner of a Bermuda limited partnership such as AOG L.P. would only be liable to the limited partnership for the difference between the value of any money or property it has actually contributed to the partnership, and the value of any money or property it has undertaken to contribute to the limited partnership. In comparison, a general partner of a Bermuda limited partnership does not have the benefit of such limited liability. Where this becomes relevant is in circumstances where a limited partner 'takes part in the management of the limited partnership'. In these situations, pursuant to the *Limited Partnership Act 1883* (Bermuda) they would be liable as a general partner and as a consequence their liability would be unlimited in relation to the acts of the partnership.

AOG L.P. Limited Partners are afforded various powers to require the AOG L.P. General Partner to take various actions under the AOG L.P. Partnership Agreement (including those set out in the summary of rights and liabilities attaching to TopCo Class B Securities and AOG L.P. Units in section 10.1 of this Scheme Booklet). If AOG L.P. Limited Partners exercise those powers, there is a risk that they would be taken to be taking part in the management of AOG L.P. and would therefore be liable as if they were a general partner of AOG L.P.. There has been limited judicial consideration of the relevant legislation so there is a degree of uncertainty in attempting to determine whether particular actions of an AOG L.P. Limited Partner would be decided to be taking part in the management of AOG L.P. and may therefore lose their limited liability status.

See section 10.2 for further information on the different regulatory regime that applies to AOG L.P. Units as compared to Aveo Securities at present.

**b. Exit**

Brookfield may seek to 'exit' its investment in the Aveo business in the future. This is subject to Brookfield's preferences, prevailing market conditions, the performance of the business and other factors which may be considered relevant at the time. As such, the time period for the Exit is currently unknown and is at the discretion of Brookfield.

There is no guarantee that AOG L.P. Limited Partners will be able to sell their AOG L.P. Units if a decision to Exit is not made by Brookfield. In particular, there will be no active market for the sale and purchase of AOG L.P. Units following implementation of the Schemes.

Conversely, there is no guarantee that AOG L.P. Limited Partners will want to sell their AOG L.P. Units at the same time as a decision to Exit is made by Brookfield. Despite this, if a decision to Exit is made, AOG L.P. Limited Partners may be forced to sell their AOG L.P. Units under the AOG L.P. Partnership Agreement (read with the TopCo Shareholders' Deed). AOG L.P. Limited Partners may not agree with the exit strategy adopted by Brookfield or receive the price and return on investment they expect.

**c. Lack of information**

Aveo Securityholders who receive AOG L.P. Units under the Schemes will receive significantly less information and reports about their investment than Aveo Securityholders currently receive. Under the TopCo Shareholders' Deed TopCo Class B Shareholders are entitled to receive a copy of the latest audited consolidated financial statements of the TopCo Group promptly after they have been finalised or at any other time on request. The AOG L.P. Partnership Agreement provides that the AOG L.P. General Partner will make available to AOG L.P. Limited Partners all information received as a TopCo Class B Shareholder, including audited financial statements of the TopCo Group.

AOG L.P. Limited Partners will not, however, receive reports such as remuneration reports or corporate governance reports and TopCo and AOG L.P. will not be required to comply with the extensive continuous disclosure obligations set out in Chapter 3 of the Listing Rules and section 674 of the Corporations Act.

A summary of some of the key information differences is set out in the table below. The summary is not exhaustive.

Aveo at present	Position for AOG L.P.
<b>Financial reporting (Corporations Act – Chapter 2M)</b>	
Chapter 2M of the Corporations Act requires public companies of every size to disclose their annual financial report and directors' report. The financial report includes the audited financial statements for the year, and the director's declaration about the statements.	The consolidated TopCo Group, being a large proprietary company, must lodge with ASIC an annual financial report and directors' report. The financial report includes the audited financial statements for the year, and the director's declaration about the statements.
A listed public company's annual financial report and directors' report must include additional information specified by the Corporations Act.	There is no requirement for the consolidated TopCo Group's financial statements to include:
A listed public company's financial statements must include a declaration by the CEO and CFO regarding those financial statements, including that they give a true and fair view.	<ul style="list-style-type: none"> <li>• a declaration by the CEO and CFO that they give a true and fair view;</li> <li>• an 'operating and financial review'; or</li> <li>• a financial report and directors' report for each half-year.</li> </ul>
A listed public company's directors' report must include an 'operating and financial review' which contains information that shareholders would reasonably require to make an informed assessment of the company's operations, financial position, business strategies, and prospects for future financial years.	There is no requirement for the consolidated TopCo Group to provide a corporate governance report.
If the public company is listed, they must also make their remuneration report available, which is voted on at its Annual General Meeting.	
A disclosing entity must also provide a financial report and directors' report for each half-year.	

# 11. RISK FACTORS CONT

## Aveo at present

## Position for AOG L.P.

### Corporate Governance Statements (ASX Listing Rules – Chapter 4)

Chapter 4 of the ASX Listing Rules requires each listed company to include in its annual report either a corporate governance statement or a website address where such statement is located.

The consolidated TopCo Group will not provide a corporate governance report.

### Meetings (Corporations Act – Chapter 2G)

Chapter 2G of the Corporations Act requires a public company to hold an Annual General Meeting at least once in each calendar year and within 5 months of the end of its financial year.

There is no requirement for the TopCo Group or AOG L.P. to hold an Annual General Meeting.

### d. Lack of liquidity

AOG L.P. is a foreign partnership, and will continue to be a foreign partnership following implementation of the Schemes.

There will be no active market for the sale and purchase of AOG L.P. Units following implementation of the Schemes. Aveo Securityholders who receive AOG L.P. Units under the Schemes may only deal with their AOG L.P. Units in certain limited circumstances as permitted under the AOG L.P. Partnership Agreement (see the table in section 10.1 for further details on the restrictions applicable to disposals of AOG L.P. Units).

In addition to the restrictions on the disposal of their AOG L.P. Units under the AOG L.P. Partnership Agreement, prospective sellers of AOG L.P. Units will need to find their own buyer in order to trade in their AOG L.P. Units (and even if such buyer is found, a sale or transfer to such buyer may not be permitted in any event due to the restrictions under the AOG L.P. Partnership Agreement). The lack of liquidity associated with AOG L.P. Units may affect the price that another person is willing to pay for those AOG L.P. Units (notwithstanding that the financial performance of AOG L.P. and the Aveo business might suggest the value of those AOG L.P. Units is higher).

### e. Fewer rights as minority shareholders

As Aveo Securityholders who receive AOG L.P. Units under the Schemes will collectively have no more than a 30% interest in TopCo, they will be subject to risks that are inherent in minority shareholdings.

Aveo Securityholders who receive the AOG L.P. Units under the Schemes will be indirect holders of TopCo Class B Securities, which carry with them limited voting rights under the TopCo Shareholders' Deed. TopCo Class A Securities carry rights to appoint a majority of the directors to the TopCo Board so the holder of TopCo Class A Securities will be able to exercise majority voting power; and will be in a position to determine the outcome of most decisions relating to TopCo and the TopCo Group more generally. While TopCo Class B Shareholders hold at least 15% of the TopCo Shares, they may appoint up to 2 directors to the TopCo Board, provided they are Qualified Persons. Therefore, even if there are TopCo Class B Directors on the TopCo Board, an individual AOG L.P. Limited Partner or group of AOG L.P. Limited Partners, acting together, will not hold a majority on the TopCo Board and not be able to affect matters relating to TopCo. Aveo Securityholders who receive the AOG L.P. Units under the Schemes will therefore, in most cases, be subject to the decisions made by holders of TopCo Class A Securities in relation to TopCo and the TopCo Group.

The AOG L.P. Partnership Agreement contains provisions under which AOG L.P. Limited Partners may be compelled to transfer their AOG L.P. Units. For example, if TopCo Class A Securityholders require each other TopCo Securityholders to sell a portion of their TopCo Securities under the TopCo Shareholders' Deed (Drag Proportion) and, accordingly, TopCo Securities held by AOG L.P. are sold pursuant to this drag along process, the AOG L.P. General Partner will cancel the Drag Proportion of each Limited Partner's AOG L.P. Securities.

See section 10.1 for further information about the rights and liabilities attaching to the AOG L.P. Units.

### f. Lack of dividends

Whilst each TopCo Class B Share and TopCo Class A Share ranks equally with each other for payment of dividends, the declaration and payment of any dividends will be at the sole discretion of the TopCo Board.

To the extent TopCo pays any dividends in the future, the level of franking on any dividends on TopCo Class B Shares will be affected by the level of TopCo's available franking credits and distributable profits. TopCo's level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which Aveo makes profits and pays tax and any other franked dividends it may receive (if any). TopCo's distributable profits may also be affected by a wide range of factors including its level of earnings and any dividends it pays. The level of franking on any dividend may vary over time and dividends may be partially, fully or not franked. The value and availability of franking credits to an AOG L.P. Limited Partner will depend on that AOG L.P. Limited Partner's particular circumstances.



#### g. No direct rights against TopCo or Aveo

Aveo Securityholders are currently direct holders of Aveo Securities, and accordingly may enforce their rights as Aveo Securityholders directly against Aveo. Scheme Securityholders who make the Scrip Election under the Schemes will be issued AOG L.P. Units, and will therefore have an indirect holding in TopCo (and Aveo) through AOG L.P.. AOG L.P. Limited Partners may only enforce their rights against the AOG L.P. General Partner, under the AOG L.P. Partnership Agreement, and not against TopCo or any other member of the TopCo Group.

#### h. Leverage

One source of funding for the Cash Consideration is the commitments obtained by BidCo under the Scheme Debt Facilities. As BidCo is an indirectly wholly-owned subsidiary of TopCo, through its indirect holding in TopCo, AOG L.P. Limited Partners will be exposed to greater risks than they currently face arising from the increased leverage position of the TopCo Group which has a gearing (debt to equity) ratio that is greater than the current gearing ratio of Aveo. The Scheme Debt Facilities have been documented under various agreements which contain certain restrictions, undertakings and events of default that reflect the risk associated with the increased leveraged position of the TopCo Group.

### 11.5 General risks relating to the Schemes

#### a. Regulatory approval delays

As set out in section 7.5, the Schemes are subject to a number of Conditions Precedent, including Court and regulatory approvals (including FIRB approval).

There is a risk that such Court and regulatory approvals may not be obtained, or may be obtained subject to conditions upon which BidCo or Aveo or both (as applicable) are not prepared to accept (acting reasonably), or may be delayed.

#### b. Change of control

Upon implementation of the Schemes, a change of control in Aveo will occur. It is possible that material contracts and property agreements to which Aveo is a party may be subject to review or termination upon this change of control. While BidCo is not aware of any counterparty that may wish to terminate a material contract or property agreement, should any such contracts be terminated, Aveo would lose the benefit of the contract or agreement and may be unable to obtain similar terms upon entry into replacement contracts (should such replacement contracts be available).

# 12. TAX IMPLICATIONS

This section provides a general summary of the Australian tax consequences for Aveo Securityholders in relation to the Schemes and should be considered in conjunction with the rest of the Scheme Booklet.

The information included in this section is a general summary only and is not intended to be, and should not be taken as, Australian tax advice to Aveo Securityholders. Aveo Securityholders should be aware that the actual Australian tax implications of participating in the Schemes may differ from those summarised in this section. Aveo Securityholders should seek advice from their own professional tax adviser regarding the Australian tax consequences of the Schemes, having regard to their particular circumstances.

The following summary is intended for Aveo Securityholders who are tax resident of Australia and who hold their Aveo Securities on capital account for income tax purposes. In particular, this summary does not address the position of Aveo Securityholders who:

- are not Australian residents for Australian income tax purposes;
- hold their Aveo Securities on revenue account, as trading stock or subject to the Taxation Of Financial Arrangements provisions in Division 230 of the Income Tax Assessment Act 1997; or
- are in the business of dealing in securities, banking or investment, or who are taxed under a special regime (e.g. life insurance companies).

This summary is based on the Australian tax laws, regulations and administrative practices in effect as at the date of this Scheme Booklet. Aveo Securityholders should be aware that any changes (with either prospective or retrospective effect) to the Australian tax laws may affect the tax treatment of the Schemes as described in this summary.

## 12.1 Australian income tax implications of the Schemes

### a. Disposal of Aveo Securities

A disposal of an Aveo Security by an Australian tax resident Aveo Securityholder under the terms of the Schemes should result in a disposal of that security for capital gains tax (CGT) purposes on the Implementation Date.

For income tax purposes, the share in AGL and unit in Aveo Group Trust that comprise an Aveo Security should be treated as separate CGT assets. Accordingly, the income tax consequences of the disposal will need to be determined separately for each security, as summarised below.

A capital gain should arise to an Aveo Securityholder where the capital proceeds received from the disposal of a share in AGL or a unit in Aveo Group Trust is greater than the cost base of that share or unit for CGT purposes. A capital loss should arise if the capital proceeds from the disposal of a share in AGL or unit in Aveo Group Trust is less than the reduced cost base of that share or unit for CGT purposes.

CGT roll-over relief will not be available to those Aveo Securityholders who elect to receive the Scrip Consideration for their Aveo Securities under the Schemes.

Any capital gain or capital loss realised by an Aveo Securityholder in respect of Aveo Securities should be aggregated with any other capital gains or capital losses that the Aveo Securityholder may have in that income year, less any available net capital losses from prior income years, discounts or reductions, to determine the Aveo Securityholder's net capital gain or capital loss for that year.

A net capital gain (if any) will be included in the Aveo Securityholder's assessable income. Capital losses may be carried forward and offset against future taxable capital gains, although the utilisation of capital losses by certain entities is subject to the satisfaction of loss carry forward rules. A capital loss can only be offset against capital gains.

### b. Capital proceeds for CGT purposes

The capital proceeds for CGT purposes from the disposal of Aveo Securities under the Schemes should include either the Cash Consideration or the market value of the Scrip Consideration (as relevant).

The Aveo Permitted Distribution to be paid by Aveo of \$0.045 per Aveo Security should not constitute capital proceeds from the disposal of Aveo Securities.

Consequently, the capital proceeds based on either the Cash Consideration or the Scrip Consideration should be equal to the value of the Scheme Consideration, being \$2.15 per Aveo Security.

The capital proceeds received for the disposal of each Aveo Security must be apportioned across the share in AGL and the unit in Aveo Group Trust. One possible method of apportionment is on the basis of the relative net assets of AGL and Aveo Group Trust at the time of disposal. Information on the net asset values for AGL and Aveo Group Trust are available from the Investors section of the Investor Centre on the Aveo website at [www.aveo.com.au](http://www.aveo.com.au), under the Distributions and Tax section.

### c. CGT cost base

Generally, the CGT cost base of an Aveo Security should include the amount paid to acquire the Aveo Security and the market value of any property given to acquire the Aveo Security, plus any incidental capital costs of acquisition and disposal. In the case of the units in Aveo Group Trust, the cost base will be reduced by any tax deferred distributions paid to the Aveo Securityholder since the units were acquired. Details of tax deferred distributions are available from the Investors section on the Aveo website at [www.aveo.com.au](http://www.aveo.com.au), under the Distributions and Tax section.

As with the capital proceeds, the CGT cost base of each Aveo Security will need to be apportioned across the share in Aveo Group Ltd and the unit in Aveo Group Trust. One possible method of apportionment is on the basis of the relative net assets of AGL and Aveo Group Trust at the time of acquisition. Information on the net assets of AGL and Aveo Group Trust are available from the Investors section on the Aveo website at [www.aveo.com.au](http://www.aveo.com.au), under the Distributions and Tax section.

### d. CGT discount

A CGT discount may be available to reduce any capital gain realised by an Aveo Securityholder on the disposal of Aveo Securities. If the Aveo Security has been held for at least 12 months, an Aveo Securityholder may, after offsetting capital losses, be able to discount the resulting capital gain by one half in the case of an individual or trust, or one third in the case of a complying superannuation entity.

Aveo Securityholders who dispose of Aveo Securities within 12 months of acquiring them for CGT purposes, or dispose of them under an agreement entered into within 12 months of acquiring the Aveo Securities, will not be eligible for the CGT discount.

## 12.2 GST

The disposal of Aveo Securities by the Aveo Securityholders and the acquisition of units in AOG L.P. (where an Aveo Securityholder elects to receive the Scrip Consideration) under the Schemes should not give rise to a liability to account for GST. There may be restrictions on the input tax credits (i.e. GST credits) available on acquisitions relating to the disposal of the Aveo Securities (such as transaction costs, if any).

Aveo Securityholders should obtain independent advice in relation to the precise GST implications associated with the disposal of Aveo Securities and acquisition of units in AOG L.P.

## 12.3 Stamp duty

There should not be stamp duty (including landholder duty) payable by Aveo Securityholders on the disposal of their Aveo Securities under the Schemes. Aveo Securityholders should obtain independent advice in relation to the stamp duty consequences of acquiring units in AOG L.P. (where relevant).

## 12.4 Foreign resident capital gains withholding tax

Foreign resident capital gains withholding tax applies to a transaction involving the acquisition of the ownership of an asset that is an indirect Australian real property interest from a 'relevant foreign resident'.

Under the Australian foreign resident capital gains withholding tax rules, BidCo, as purchaser of the Aveo Securities under the Schemes, is required to assess whether any Aveo Securityholder is a 'relevant foreign resident'.

For the purposes of these rules, a 'relevant foreign resident' is any Aveo Securityholder, at the time of the transaction, that is:

- known or reasonably believed by BidCo to be a foreign resident; or
- is not reasonably believed by BidCo to be an Australian resident, and has an address outside Australia or has authorised BidCo to provide a financial benefit to a place outside Australia.

If BidCo considers or reasonably believes that an Aveo Securityholder is a 'relevant foreign resident', that Aveo Securityholder will be provided (with this Scheme Booklet) a foreign resident capital gains withholding tax declaration form.

A number of factors may be considered by BidCo in determining whether it considers or reasonably believes an Aveo Securityholder is a 'relevant foreign resident', including whether that Aveo Securityholder:

- is classified as a non-resident or has a non-Australian domicile in the Aveo Securities Register;
- has a foreign registered address; or
- in the case of a corporate shareholder, is not incorporated in Australia or has a registered name which leads BidCo to reasonably believe that that Aveo Securityholder is not an Australian incorporated entity.

## 12. TAX IMPLICATIONS CONT

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If, for whatever reason, an Aveo Securityholder thinks that they are a foreign resident but does not receive a declaration form they should contact the Aveo Securities Registry to request a declaration form.

In the foreign resident capital gains withholding tax declaration form, an Aveo Securityholder may provide BidCo with a declaration that:

- the registered holder of the relevant Aveo Securities is an Australian tax resident; or
- the registered holder of the relevant Aveo Securities, together with its associates, has not held an interest of 10% or more in Aveo as at the Implementation Date or for a twelve month period during the last two years preceding the Implementation Date.

An Aveo Securityholder who has received a declaration form should read it in full and follow the instructions provided on the form.

An Aveo Securityholder may be treated as being a 'relevant foreign resident' for the purpose of the Schemes unless a signed foreign resident capital gains withholding tax declaration form regarding its residency, or interest, is provided to BidCo by the Scheme Record Date.

Where an Aveo Securityholder is treated as being a 'relevant foreign resident' for the purpose of the Schemes, BidCo may withhold, and remit, an amount equal to 12.5% (or some lesser amount approved by the Commissioner of Taxation) of the Scheme Consideration payable to that Aveo Securityholder, to the Commissioner of Taxation.

Aveo Securityholders who have an amount withheld should generally be entitled to a credit for that amount withheld upon lodging an Australian income tax return.

Aveo Securityholders should seek their own independent tax advice as to the tax implications of the foreign resident capital gains withholding tax and the making of a foreign resident capital gains withholding tax declaration.

# 13. INFORMATION RELATING TO AVEO DIRECTORS

## 13.1 Interests of Aveo Directors in Aveo Securities

### a. Relevant Interests of Aveo Directors in Aveo Securities

As at the Last Practicable Date, each of the Aveo Directors has the following Relevant Interests in Aveo Securities:

Aveo Director	Number of Aveo Securities	Number of Aveo Incentives
Seng Huang Lee	141,615,220 (indirectly)	Nil
Geoff Grady	1,843,198 (directly)	155,144 Aveo Securities converting from short term incentive deferred securities  460,490 Aveo Securities converting from performance rights issued under the long term incentive plan  1,500,000 Aveo Securities converting from growth rights issued under the long term incentive plan
Diana Saw	Nil	Nil
Jim Frayne	60,624 (directly)	Nil
Walter McDonald	Nil	Nil
Eric Lee	Nil	Nil
Kelvin Lo	Nil . For completeness, Mr Lo's wife holds 3,000 Aveo Securities.	Nil

The Aveo Directors intend to vote any Aveo Securities held by them at the time of the Scheme Meetings in favour of the Schemes, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of the Aveo Securityholders.

Mr Seng Huang Lee and Mr Eric Lee, who are nominee directors of Mulpha Group on the Aveo Board, make no representation as to the voting intentions of the Mulpha subsidiaries which hold stapled securities in Aveo, since Mulpha International Bhd is a listed entity on Bursa Malaysia and its Board of Directors will need to consider the Scheme Booklet, in order to make a decision. However, Messrs. Lee and Lee have confirmed to the Aveo Board, in respect of Mulpha's consideration of the Transaction, that they intend to recommend and support a decision that Mulpha vote in favour of the Schemes. As at the date of this Scheme Booklet, Messrs. Lee and Lee have informed the Aveo Board that they have not yet made a decision on whether they will recommend that Mulpha subsidiaries elect to receive Cash Consideration or Scrip Consideration, as they consider it appropriate to discuss this with Mulpha once it has received a copy of the Scheme Booklet. Should Mulpha inform Aveo of its voting or consideration election intentions, Aveo will update the market by an announcement on ASX.

### b. Dealings of Aveo Directors in Aveo Shares

No Aveo Director acquired or disposed of a Relevant Interest in any Aveo Securities in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

## 13.2 Interests of Aveo Directors in the BidCo securities

### a. Relevant Interests of Aveo Directors in BidCo securities

As at the Last Practicable Date, no Aveo Director had a Relevant Interest in any BidCo securities.

### b. Dealings of Aveo Directors in BidCo securities

As at the Last Practicable Date, no Aveo Director acquired or disposed of a Relevant Interest in any BidCo securities in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

# 13. INFORMATION RELATING TO AVEO DIRECTORS CONT

## 13.3 Benefits and agreements

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

### b. Remuneration in connection with remaining in office

Under the TopCo Shareholders' Deed, no director of TopCo (other than the non-executive Directors) will be entitled to be paid a fee.

### c. Agreements connected with or conditional on the Scheme

Except as set out below or otherwise disclosed in this Scheme Booklet, there are no agreements or arrangements made between any Aveo Director and any other person in connection with, or conditional on, the outcome of the Scheme treatment of the Aveo Incentives, as set out in section 14.2 of this Scheme Booklet.

### d. Interests of Aveo Directors in contracts with the BidCo or any Related Bodies Corporate of BidCo

None of the Aveo Directors has any interest in any contract entered into by BidCo or any Related Bodies Corporate of BidCo, or any Related Body Corporate BidCo.

### e. Benefits from BidCo, TopCo or Brookfield

None of the Aveo Directors has agreed to receive, or is entitled to receive, any benefit from BidCo, TopCo or Brookfield, or any Related Body Corporate of BidCo, TopCo or Brookfield, which is conditional on, or is related to, the Scheme, other than in their capacity as a Aveo Securityholder (set out in section 14.2).

# 14. ADDITIONAL INFORMATION

## 14.1 Scheme Implementation Deed

### a. Overview

On 14 August 2019, Aveo, BidCo and TopCo entered into the Scheme Implementation Deed, under which BidCo undertakes to acquire 100% of the outstanding securities of Aveo by way of a trust scheme and a company scheme of arrangement. A summary of the key terms of the Scheme Implementation Deed are summarised below.

A full copy of the Scheme Implementation Deed was released to ASX on 14 August 2019 and can be obtained from [www.asx.com.au](http://www.asx.com.au) or <https://www.aveo.com.au/investors/asx-announcements/>.

Capitalised expressions used in this section but not otherwise defined in this Scheme Booklet, have the meaning given to them in the Scheme Implementation Deed.

### b. Conditions Precedent

Implementation of the Schemes are subject to the Conditions Precedent in the Scheme Implementation Deed which must be satisfied or waived (as applicable). For details of the Conditions Precedent, see clause 4.1 of the Scheme Implementation Deed and section 7.5 of this Scheme Booklet.

### c. Exclusivity arrangements

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of BidCo. These arrangements are in line with Australian market practice in this regard and may be summarised as follows:

- **No shop:** Aveo must not solicit any enquiries, discussions or proposals from any person (other than BidCo) in relation to an Alternative Transaction or which would be expected to encourage or lead to, an Alternative Transaction;
- **No talk:** subject to a fiduciary exception on market standard terms, Aveo must not participate in any discussions or negotiations in relation to an Alternative Transaction;
- **No due diligence:** Aveo must not provide any third party with confidential information in connection with the development of an Alternative Transaction or otherwise cooperate with any effort to initiate an Alternative Transaction other than by BidCo;
- **Notification:** Aveo must notify BidCo within 48 hours if the Aveo Board receives a proposal from a third party in respect of an Alternative Transaction and provide reasonable details of the proposal. Aveo must notify BidCo as soon as reasonably practicable if Aveo determines that the Alternative Transaction would be or would be reasonably likely to result in a Superior Proposal; and
- **Matching right:** Aveo must not enter into an agreement to give effect to any Alternative Transaction or provide any confidential information to any third party in connection with the development of an Alternative Transaction unless the Aveo Board acting in good faith and in what they consider to be their statutory or fiduciary duties determines that the Alternative Transaction would be or would be likely to result in a Superior Proposal, Aveo has provided BidCo with the terms and conditions of the Alternative Transaction (including price and identity of the bidder), the Aveo Board has given BidCo at least 5 Business Days after the date of the provision of that information to provide a matching or superior proposal to the terms of the Alternative Transaction and BidCo has not provided a further proposal that the Aveo Board, acting in good faith determines will or is likely to provide an equivalent or superior outcome for Aveo or the Aveo Securityholders than the Alternative Transaction.

These exclusivity provisions end on the earlier of the date of termination of the Scheme Implementation Deed in accordance with its terms, the End Date, the implementation of the Schemes or, if an Alternative Transaction is a Superior Transaction, Aveo electing to pursue the Alternative Transaction after having complied with its matching right obligations (**Exclusivity Period**).

These exclusivity arrangements are set out in clause 12 of the Scheme Implementation Deed.

### d. Aveo Board recommendation

Aveo must use all reasonable endeavours to procure that the Aveo Board Members do not change or withdraw their recommendation or intention in relation to the Schemes unless:

- the Independent Expert concludes that the Schemes are not in the best interests of the Scheme Securityholders; or
- there is a Superior Proposal; and
- the Aveo Board determines, having received expert advice in writing from its financial and legal advisers that the Aveo Board is required to change or withdraw their recommendation by virtue of their directors' duties.

Aveo's obligations regarding the recommendation of the Aveo Board are set out in clause 7.10 of the Scheme Implementation Deed.

# 14. ADDITIONAL INFORMATION CONT

## e. Break fee payable by Aveo

In accordance with Australian market practice, Aveo has agreed to pay BidCo a break fee of \$13 million (excluding GST) if certain events occur, including:

- during the Exclusivity Period, any Aveo Board Member withdraws or adversely changes his or her support of the Schemes or his or her recommendation in favour of the Schemes, except as a result of:
  - the Independent Expert continuing to conclude that the Schemes are not in the best interests of the Scheme Securityholders; or
  - Aveo terminating the Scheme Implementation Deed as a result of BidCo being in material breach (including a material breach of warranty) or certain Conditions Precedent not being satisfied;
- during the Exclusivity Period, any Aveo Board Member supports, or recommends that Aveo Securityholders accept or vote in favour of, an Alternative Transaction that is announced during the Exclusivity Period;
- an Alternative Transaction is announced during the Exclusivity Period and, within 12 months, that third party acquires Control or at least 50% voting power in Aveo, or otherwise directly or indirectly acquires or merges with Aveo, or enters into an agreement to acquire or merge with Aveo; or
- BidCo terminates the Scheme Implementation Deed as a result of Aveo being in material breach (including a material breach of warranty).

Each of Aveo and BidCo considers that the Reimbursement Fee is a genuine and reasonable pre-estimate of costs that would be suffered by BidCo if the Schemes do not proceed.

The Aveo Reimbursement Fee arrangements are set out in clause 13 of the Scheme Implementation Deed.

## f. Representations and warranties

Each party to the Scheme Implementation Deed has given representations and warranties to the other. A breach of such representations and warranties is capable of giving rise to a termination right.

These representations and warranties are set out in clause 8 and Schedule 3 (in the case of BidCo) or Schedule 4 (in the case of Aveo) of the Scheme Implementation Deed.

## g. Termination rights

The Scheme Implementation Deed may be terminated by the written agreement of Aveo and BidCo, and each of Aveo and BidCo may terminate the Scheme Implementation Deed if:

- the other is in material breach of the Scheme Implementation Deed (including a material breach of warranty), if it gives notice to the other setting out the relevant circumstances and the relevant circumstances continue for five Business Days after such notice is given;
- at any time before 8.00am on the Second Court Date, the Court or another Government Agency has taken any action permanently restraining or otherwise preventing the implementation of the Schemes and the action has become final and cannot be appealed or there is no realistic prospect of an appeal succeeding; or
- certain Conditions Precedent become unable to be satisfied or the Effective Date for the Schemes has not occurred on or before the End Date.

In addition, BidCo may terminate the Scheme Implementation Deed at any time before 8.00am on the Second Court Date if:

- an Aveo Prescribed Occurrence or Aveo Regulated Event Occurs, BidCo gives notice to Aveo setting out the relevant circumstances and the relevant circumstances continue for five Business Days after such notice is given; or
- an Aveo Board Member withdraws or adversely changes his or her support of the Schemes or his or her recommendation in favour of the Schemes, or makes a public statement indicating he or she no longer recommends the Transaction or recommends or enforces another transaction.

Subject to payment of any applicable Reimbursement Fee, Aveo may terminate the Scheme Implementation Deed at any time before 8.00am on the Second Court Date if the Aveo Board or a majority of the Aveo Board has changed or withdrawn its recommendation because the Independent Expert concludes that the Schemes are not in the best interests of the Scheme Securityholders or there is a Superior Proposal and the Aveo Board determines, having received expert advice in writing from its financial and legal advisers that they must do so because of their directors' duties.

The termination rights are set out in clause 14 of the Scheme Implementation Deed.



## 14.2 Aveo equity incentive arrangements

### a. Overview of arrangements

As detailed in Aveo's 2019 Annual Report, Aveo operates short term and long term incentive plans under which short-term incentives, performance rights and growth rights have been granted to senior management.

As at the Last Practicable Date, the Aveo Incentives comprise of the following:

- 1,266,204 performance rights issued under the long term incentive plan;
- 1,800,000 growth rights (which each convert into two Aveo Securities) issued under the long term incentive plan; and
- 417,449 short term incentive deferred securities, which will vest in the ordinary course prior to the Scheme Meetings,

(being the **Aveo Incentives**).

### b. Directors and executive officers

As noted in section 13.1(a), as at the Last Practicable Date, no Aveo Director, other than Mr Geoff Grady holds a relevant interest in the Aveo Incentives. If the Schemes are implemented, Mr Grady's Aveo Incentives will be dealt with in the manner described in section 3.2 and 14.2(c) of this Scheme Booklet.

As at the Last Practicable Date, Mr David Hunt (Aveo's Chief Financial Officer), also holds a relevant interest in 1,302,197 Aveo Incentives (comprising 226,356 performance rights, 500,000 growth rights (which each convert into two Aveo Securities) and 75,841 short term incentive deferred securities). If the Schemes are implemented, Mr Hunt's Aveo Incentives will also be dealt with in the manner described in section 14.2(c) of this Scheme Booklet.

### c. Implications of the Schemes for plan participants

In accordance with the terms of the Aveo Employee Share Scheme, the IBC has taken into account various considerations, including Aveo's performance to date, and determined that, subject to the Schemes becoming effective, all of the outstanding Aveo Incentives will vest on or after the Effective Date.

The IBC considered retention and alignment risks arising from management concerns as to their future given the Strategic Review process, and the alternatives available to the IBC regarding the treatment of incentives in order to address those risks. It was noted that these incentives were held by up to 36 members of the senior and mid-level management team. The IBC discussed at length, in the absence of management, the pros and cons of different alternatives, what was in the best interests of securityholders as a whole in the circumstances, the importance of alignment of interest between staff and securityholders, and of continuing to incentivise ongoing performance. The IBC considered the performance conditions for the Aveo incentives and the impact of the Strategic Review process on their ability to be tested, and the importance of motivating the management team to achieve the best possible outcome for securityholders through the Strategic Review.

Having regard to all those matters, the IBC determined that it would be in the best interests of securityholders to vest the performance rights in full, provided a transaction occurred that was acceptable to securityholders.

Upon vesting, Aveo intends to:

- transfer 1,982,739 existing Aveo Securities held in an employee share trust to holders of Aveo Incentives. This will enable the relevant holders to participate in the Schemes and receive the Scheme Consideration in respect of these Aveo Securities; and
- cash settle the other 2,883,465 Aveo Incentives (for an amount equal to the Cash Consideration)<sup>1</sup>,

such that the total number of Aveo Securities on the Implementation Date does not exceed 580,737,672.

Aveo has applied for a waiver from ASX Listing Rule 6.23.2 to permit the Aveo Incentives to be dealt with in this manner – see section 14.3 of this Scheme Booklet. See clause 5.4 of the Scheme Implementation Deed for further details.

1. Noting that 925,867 Aveo securities (\$1,990,612) will be cash settled 6 months after the Schemes have been implemented.

# 14. ADDITIONAL INFORMATION CONT

## 14.3 Regulatory relief

### a. ASX Relief

Aveo has applied for a waiver of ASX Listing Rule 6.23.2 to the extent necessary to permit the treatment of the Aveo Incentives as set out in section 14.2 of the Scheme Booklet.

### b. ASIC Relief

ASIC has granted relief to Aveo from the operation of the following provisions of the Corporations Act:

- **Takeovers relief:** a modification of item 7, section 611 of the Corporations Act to permit holders of units in Aveo Group Trust not associated with BidCo to vote on the Trust Acquisition Resolution.
- **Chapter 7 relief:** an exemption from Division 2 of Part 7.7 of the Corporations Act in relation to the requirement for Aveo Funds RE to issue a Financial Services Guide under section 941A of the Corporations Act.
- **Part 5C.2:** relief from section 601FC(1)(d) of the Corporations Act to the extent necessary for Ineligible Foreign Securityholders not to receive the Scrip Consideration as Scheme Consideration.

ASIC has granted relief to BidCo from the operation of the following provisions of the Corporations Act:

- **Chapter 6D Relief – prospectus:** an exemption from the requirement to issue a prospectus for the offer and issue of the AOG L.P. Units.
- **Chapter 7 Relief:** an exemption from Division 5A of Part 7.9 of the Corporations Act in relation to offers under the Trust Scheme potentially being characterised as unsolicited off-market offers to purchase Aveo Group Trust Units.

## 14.4 Consents to be named

Each party in this section 14.4 as consenting parties:

- has given and has not, before the lodgement of this Scheme Booklet with ASIC, withdrawn its written consent to be named in this Scheme Booklet in the form and context in which it is named;
- has given and has not, before the lodgement of this Scheme Booklet with ASIC, withdrawn its written consent to the inclusion of its respective statements and reports (where applicable) noted next to its names in this section 14.4, and the references to those statements and reports in the form and context in which they are included in this Scheme Booklet;
- has not caused or authorised the issue of this Scheme Booklet; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Scheme Booklet.

The term "consent" as used in this Scheme Booklet, is used solely in the context of this Scheme Booklet and as that term is used in Australia.

### Party

Aveo Securities Registry  
Financial adviser  
Legal adviser  
Independent Expert (the Independent Expert's Report in Annexure A)  
TopCo  
BidCo  
HoldCo  
AOG L.P.  
Tax adviser  
Investigating Accountant (the Investigating Accountant's Report in Annexure I)  
Auditor of Aveo

### Consenting Party

Computershare Investor Services Pty Limited  
Merrill Lynch Markets (Australia) Pty Limited  
Herbert Smith Freehills  
KPMG Financial Advisory Services (Australia) Pty Ltd  
Hydra RL TopCo Pty Ltd  
Hydra RL BidCo Pty Ltd  
Hydra RL HoldCo Pty Ltd  
AOG GP Limited  
Deloitte Tax Services Pty Ltd  
Deloitte Corporate Finance Pty Limited  
Ernst & Young

## 14.5 No unacceptable circumstances

The Aveo Directors believe that the Schemes do not involve any circumstances in relation to the affairs of Aveo that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

## 14.6 Foreign jurisdictions

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

Scheme Securityholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

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

This Scheme Booklet has been prepared in accordance with the laws of 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 does not constitute an offer in any place which, or to any person whom, it would not be lawful to make such an offer.

An Aveo Securityholder whose address shown in the Aveo Securities Register is a place outside Australia, Bermuda, British Virgin Islands, Malaysia and New Zealand at the Scheme Record Date will be an Ineligible Foreign Securityholder unless BidCo and Aveo agree otherwise in writing that it is lawful and not unduly onerous or impractical to issue AOG L.P. Units to that Scheme Securityholder if the Scheme Securityholder so elects under the Schemes.

## 14.7 No other material information

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

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

## 14.8 Fees

Aveo has incurred significant costs in respect of the Schemes, including those to conduct negotiations with BidCo, retain advisers, provide information to BidCo, engage the Independent Expert and prepare this Scheme Booklet. If the Schemes do not proceed, Aveo is likely to incur transaction related costs of approximately \$3.4 million (exclusive of GST). This assumes no Reimbursement Fee is payable by Aveo to BidCo (see section 14.1(e) of this Scheme Booklet for more information as to when the Reimbursement Fee may be payable).

If the Schemes are implemented, Aveo expects to pay approximately \$7.9 million (excluding GST) in transaction related costs.

## 14.9 Supplementary disclosure

Aveo 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 false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in 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, Aveo 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 Scheme Securityholders at their address shown on the Aveo Securities Register; or
- posting a statement on Aveo's website at [www.aveo.com.au](http://www.aveo.com.au),

as Aveo, 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
<b>AAS</b>	Australian Accounting Standards.
<b>Affiliate</b>	in respect of a person ( <b>Primary Person</b> ), a person: <ol style="list-style-type: none"> <li>1. Controlled directly or indirectly by the Primary Person;</li> <li>2. Controlling directly or indirectly the Primary Person;</li> <li>3. who is Controlled, directly or indirectly, by a person or persons who Control the Primary Person; or</li> <li>4. directly or indirectly under the common Control of the Primary Person and another person or persons.</li> </ol>
<b>Aggregate Elected Scrip Consideration Number</b>	the total number of Scheme Securities the subject of all valid Elections to receive Scrip Consideration.
<b>AGL</b>	Aveo Group Limited ABN 28 010 729 950.
<b>AGL Scheme</b>	the scheme of arrangement under Part 5.1 of the Corporations Act between AGL and the AGL Scheme Participants, 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 BidCo and Aveo.
<b>AGL Scheme Participants</b>	each person who is registered in the Aveo Securities Register as at the Scheme Record Date as a holder of AGL Shares.
<b>AGL Share</b>	a fully paid ordinary share in AGL.
<b>AGL Shareholder</b>	each person who is registered in the Aveo Securities Register as a holder of AGL Shares.
<b>Alternative Transaction</b>	any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a third party (either alone or together with any Associate) would: <ol style="list-style-type: none"> <li>1. acquire direct or indirect legal, beneficial or economic interests in, or control of, 20% or more of the securities in Aveo, or which would result in the disposal or transfer of, Aveo or all or substantially all of its business and undertaking; or</li> <li>2. otherwise directly or indirectly acquire or merge with Aveo,</li> </ol> <p>but excluding any issues of equity under any employee incentive plans, any disposals of assets or other transactions occurring in the ordinary course of Aveo's business, any disposals or other transactions in relation to retirement living villages occurring from time to time in accordance with Aveo's strategy, or any incurring of bank debt from time to time, other than, in each case, any such transaction in which BidCo has agreed to participate.</p>
<b>AOG L.P.</b>	AOG L.P., a Bermuda exempted limited partnership (Bermuda registration number 54826).
<b>AOG L.P. B1 Units</b>	limited partnership units in AOG L.P., issued on the terms specified in the AOG L.P. Partnership Agreement and classified as Limited Partnership B1 Units.
<b>AOG L.P. B2 Notes</b>	loan notes issued by AOG L.P. to AOG L.P. Limited Partners on the terms specified in the AOG L.P. Partnership Agreement and classified as Limited Partnership B2 Notes.
<b>AOG L.P. B2 Units</b>	limited partnership units in AOG L.P., issued on the terms specified in the AOG L.P. Partnership Agreement and classified as Limited Partnership B2 Units.
<b>AOG L.P. General Partner</b>	the general partner of AOG L.P., being, as at the date of this Scheme Booklet, AOG GP Limited, a Bermuda exempted company limited by shares (Bermuda registration number 54825).
<b>AOG L.P. Limited Partner</b>	a holder of AOG L.P. Units.

Term	Meaning
<b>AOG L.P. Partnership Agreement</b>	the First Amended and Restated Limited Partnership Agreement of AOG L.P., attached as Annexure G to this Scheme Booklet.
<b>AOG L.P. Securities</b>	AOG L.P. Units and AOG L.P. B2 Notes.
<b>AOG L.P. Units</b>	AOG L.P. B1 Units and AOG L.P. B2 Units.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>Associate</b>	has the meaning set out in section 12 of the Corporations Act, as if subsection 12(1) of the Corporations Act included a reference to the Scheme Implementation Deed and Aveo was the designated body.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
<b>ATO</b>	Australian Taxation Office.
<b>Available Scrip Consideration Number</b>	160,623,080 Aveo Securities.
<b>Aveo</b>	AGL and Aveo Funds RE collectively.
<b>Aveo Board</b>	the board of directors of Aveo and an <b>Aveo Board Member</b> means any director of Aveo comprising part of the Aveo Board.
<b>Aveo Director</b>	any director of Aveo.
<b>Aveo Employee Share Scheme</b>	means: <ul style="list-style-type: none"> <li>• 1,266,204 performance rights issued under the long term incentive plan;</li> <li>• 1,800,000 growth rights (which each convert into two Aveo Securities) issued under the long term incentive plan; and</li> <li>• 417,449 short term incentive deferred securities,</li> </ul> operated by the Aveo Group.
<b>Aveo Funds RE</b>	Aveo Funds Management Limited as responsible entity of the Aveo Group Trust ABN 17 089 800 082.
<b>Aveo Group</b>	Aveo and each of its Subsidiaries (including Aveo Funds RE acting in its capacity as responsible entity of Aveo Group Trust), and a reference to an <b>Aveo Group Member</b> or a <b>member of the Aveo Group</b> is to Aveo or any of its Subsidiaries.
<b>Aveo Group Trust</b>	the Aveo Group Trust ARSN 099 648 754 whose units are stapled to shares of AGL.
<b>Aveo Group Trust Constitution</b>	the constitution establishing the Aveo Group Trust as amended from time to time.
<b>Aveo Group Trust Supplemental Deed</b>	a deed poll under which Aveo Funds RE will amend the Aveo Group Trust Constitution to effect the Trust Scheme.
<b>Aveo Group Trust Unit</b>	a fully paid ordinary unit in the Aveo Group Trust.
<b>Aveo Healthcare</b>	Aveo Healthcare Limited ACN 061 421 565.
<b>Aveo Incentives</b>	as defined in section 14.2 of this Scheme Booklet.
<b>Aveo Information</b>	information regarding the Aveo Group prepared by Aveo for inclusion in the Scheme Booklet that comprises the entirety of the Scheme Booklet and explains the effect of the Schemes 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 Aveo Securityholders whether or not to vote in favour of the Schemes, being information that is within the knowledge of each of the Aveo Board Members, but which does not include the BidCo Information, the Independent Expert's Report or any description of the tax effect of the Transaction on Scheme Securityholders prepared by an external adviser to Aveo.

# 15. GLOSSARY AND INTERPRETATION CONT

Term	Meaning
<b>Aveo Nomination and Remuneration Committee</b>	the Nomination and Remuneration Committee of Aveo.
<b>Aveo Permitted Distribution</b>	means a distribution paid by Aveo, to Aveo Securityholders who were securityholders as at the record date for the FY19 annual distribution of 28 June 2019, of approximately \$0.045 per Aveo Security, to be paid on or about 30 September 2019. The Aveo Permitted Distribution will be paid irrespective of the outcome of the Schemes.
<b>Aveo Prescribed Occurrence</b>	<p>other than as:</p> <ol style="list-style-type: none"> <li>1. required or expressly contemplated by the Scheme Implementation Deed (including, for the avoidance of doubt, in connection with the Restructure Steps), the Schemes or the transactions contemplated by either;</li> <li>2. Fairly Disclosed in the Disclosure Materials;</li> <li>3. agreed to in writing by BidCo; or</li> <li>4. Fairly Disclosed by Aveo in an announcement made by Aveo to ASX, or a publicly available document lodged by it with ASIC prior to the date of the Scheme Implementation Deed,</li> </ol> <p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> <li>5. AGL or Aveo Group Trust (where applicable, through its responsible entity) converting all or any of its shares or units (as applicable) into a larger or smaller number of shares or units;</li> <li>6. a member of the Aveo Group resolving to reduce its capital;</li> <li>7. a member of the Aveo Group: <ul style="list-style-type: none"> <li>- entering into a buy-back agreement; or</li> <li>- resolving to approve the terms of a buy-back agreement under the Corporations Act;</li> </ul> </li> <li>8. a member of the Aveo Group issuing securities, or granting a performance right or an option over its securities, or agreeing to make such an issue or grant such a right or an option, noting that under an Aveo Nomination and Remuneration Committee determination it is proposed that certain securities and rights are intended to vest in respect of securities and performance rights under the Aveo Employee Share Scheme resulting in the transfer of not more than 2,400,188 Aveo Securities provided that the total number of Aveo Securities on the Scheme Record Date and the Implementation Date does not exceed the Maximum Security Number;</li> <li>9. a member of the Aveo Group issuing or agreeing to issue securities convertible into shares;</li> <li>10. a member of the Aveo Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;</li> <li>11. a member of the Aveo 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</li> <li>12. an Insolvency Event occurs in relation to a member of the Aveo Group.</li> </ol>
<b>Aveo Regulated Event</b>	<p>other than as:</p> <ol style="list-style-type: none"> <li>1. required or expressly contemplated by the Scheme Implementation Deed (including, for the avoidance of doubt, in connection with the Restructure Steps), the Schemes or the transactions contemplated by either;</li> <li>2. Fairly Disclosed in the Disclosure Materials;</li> <li>3. agreed to in writing by BidCo; or</li> <li>4. Fairly Disclosed by Aveo in an announcement made by Aveo to ASX, or a publicly available document lodged by it with ASIC prior to the date of the Scheme Implementation Deed,</li> </ol>

## Term

## Meaning

**Aveo Regulated Event  
cont**

the occurrence of any of the following:

1. an Aveo Group Member reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares or units (as applicable);
2. other than the Aveo Permitted Distribution, Aveo announcing, making, declaring, resolving to pay or paying any dividend, distribution or share of its profits or assets or returning or agreeing to return any capital to its shareholders or unitholders (whether in cash or in specie);
3. a change to the constitution of AGL or the Aveo Group Trust;
4. a member of the Aveo Group:
  - acquiring, leasing or disposing of; or
  - agreeing, offering or proposing to acquire, lease or dispose of;

any business, assets, entity or undertaking, the value of which exceeds \$20 million (individually or other than in the ordinary course of business in aggregate);
5. a member of the Aveo Group enters into any commitments for capital expenditure of more than \$10 million (individually or other than in the ordinary course of business in aggregate);
6. a member of the Aveo Group incurring any additional external debt (except for drawdowns of existing banking facilities) for one or more related items or amounts of, in aggregate, more than \$10 million;
7. a member of the Aveo Group entering into a contract or commitment materially restraining a member of the Aveo Group from competing with any person or conducting activities in any market;
8. a member of the Aveo Group entering into any contract or commitment (including in respect of Financial Indebtedness) requiring payments by the Aveo Group in excess of \$10 million other than in the ordinary course of business (individually or in aggregate) other than any payment required by law;
9. a member of the Aveo Group entering into any agreement, arrangement or transaction with respect to derivative instruments (including, but not limited to, swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments;
10. a member of the Aveo Group entering into, or resolving to enter into, a transaction with any related party of Aveo (other than a related party which is a member of the Aveo Group), as defined in section 228 of the Corporations Act;
11. a member of the Aveo 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:
  - contractual arrangements in effect on the date of the Scheme Implementation Deed and which are contained in the Disclosure Materials; or
  - Aveo's policies and guidelines in effect on the date of the Scheme Implementation Deed and which are contained in the Disclosure Materials;
12. a member of the Aveo Group amending in any material respect any arrangement with any Financial Adviser, or entering into arrangements with a new Financial Adviser;
13. a member of the Aveo Group waiving any material Third Party or related party default where the financial impact on the Aveo Group will be in excess of \$10 million (individually or in aggregate);
14. a member of the Aveo Group accepting as a compromise of a matter less than the full compensation due to a member of the Aveo Group where the financial impact of the compromise on the Aveo Group is more than \$5 million (individually or in aggregate);

# 15. GLOSSARY AND INTERPRETATION CONT

Term	Meaning
<b>Aveo Regulated Event</b> <i>cont</i>	<p>15. any of the following occurs:</p> <ul style="list-style-type: none"> <li>• Aveo Funds RE ceases to be the responsible entity of Aveo Group Trust;</li> <li>• Aveo Securityholders resolve to remove or replace Aveo Funds RE as responsible entity of Aveo Group Trust;</li> <li>• a meeting being convened to consider a resolution for the removal, retirement or replacement of Aveo Funds RE as responsible entity of Aveo Group Trust;</li> <li>• an order is made by any court, or any application being made in any court, for the appointment of a temporary responsible entity of Aveo Group Trust in accordance with the Corporations Act;</li> <li>• Aveo effects or facilitates a termination of Aveo Group Trust; or</li> <li>• Aveo effects or facilitates the resettlement of any of the Trust Property;</li> </ul> <p>16. a member of the Aveo Group making any material tax elections or changing any material tax methodologies applied by them in the 12 months prior to the date of the Scheme Implementation Deed, other than any change in methodology required by a change in law;</p> <p>17. a member of the Aveo Group changing any accounting policy applied by them to report their financial position and/or financial performance other than any change in policy required by a change in law or accounting standards; or</p> <p>18. a member of the Aveo Group receiving notice of any new material investigation, prosecution, penalty, arbitration, litigation or dispute threatened, that is not already Fairly Disclosed, against a member of the Aveo Group which could reasonably be expected to give rise to a liability for the Aveo Group in excess of \$20 million (<b>Material Proceedings</b>) and for the avoidance of doubt which is not frivolous or vexatious, or circumstances arising which could reasonably be expected to give rise to any Material Proceedings. Material Proceedings do not include any liability relating to an investigation, prosecution, arbitration, litigation or dispute to the extent that an insurer has agreed to cover the liability under an insurance policy maintained by a member of the Aveo Group.</p>
<b>Aveo Representations and Warranties</b>	the representations and warranties of Aveo set out in Schedule 4 of the Scheme Implementation Deed, as each is qualified by clause 8.5 of the Scheme Implementation Deed.
<b>Aveo Securities Register</b>	the register of members of Aveo maintained in accordance with the Corporations Act.
<b>Aveo Securities Registry</b>	Computershare Investor Services Pty Limited ABN 48 078 279 277.
<b>Aveo Security</b>	a fully paid ordinary share in the capital of AGL stapled to a fully paid unit in Aveo Group Trust.
<b>Aveo Securityholder</b>	each person who is registered as the holder of an Aveo Security in the Aveo Securities Register.
<b>Aveo Securityholder Information Line</b>	1300 540 303 (within Australia) or +61 2 8022 7955 (outside Australia), between 8.30am and 5.00pm (Sydney time), Monday to Friday.
<b>BidCo</b>	Hydra RL BidCo Pty Ltd ACN 635 013 857.
<b>BidCo Indemnified Parties</b>	BidCo, its Related Bodies Corporate and their respective directors, officers and employees.



Term	Meaning
<b>BidCo Information</b>	<p>any information contained in:</p> <ol style="list-style-type: none"> <li>1. sections 5.3(a) to 5.3(g) (Implications of electing the Scrip Consideration);</li> <li>2. section 9 (Information about Brookfield, BidCo, HoldCo, TopCo and AOG L.P.);</li> <li>3. section 10 (Information on the TopCo Class B Securities and AOG L.P. Units);</li> <li>4. section 11.4 (Specific risks relating to the AOG L.P. Units);</li> <li>5. section 11.5 (General risks relating to the Schemes);</li> <li>6. section 12.4 (Foreign residents capital gains withhold tax);</li> <li>7. section 14.4 (Consents to be named), to the extent it relates to BidCo, HoldCo, TopCo and AOG L.P.; and</li> <li>8. the following sections of section 6 (Frequently Asked Questions): <ul style="list-style-type: none"> <li>• Who is Brookfield?</li> <li>• Who is BidCo?</li> <li>• Who is HoldCo?</li> <li>• Who is TopCo?</li> <li>• Who is AOG L.P.?</li> <li>• What are BidCo's intentions if the Schemes are implemented?</li> <li>• How is BidCo funding the Scheme Consideration?</li> <li>• What is the AOG L.P. Partnership Agreement and the TopCo Shareholders' Deed?</li> </ul> </li> </ol>
<b>Brookfield</b>	Brookfield Asset Management Inc.
<b>Brookfield AIV</b>	<p>each of the following alternative investment vehicles:</p> <ul style="list-style-type: none"> <li>• BSREP III Australia Sub L.P., an Australian limited partnership;</li> <li>• BSREP III Hydra Bermuda Sub Brookfield L.P., a Bermuda limited partnership;</li> <li>• BSREP III Hydra Bermuda Sub L.P., a Bermuda limited partnership; and</li> <li>• BSREP III Hydra Bermuda Sub-B L.P., a Bermuda limited partnership.</li> </ul>
<b>Brookfield Group</b>	Brookfield and each of its Related Bodies Corporate, and a reference to a <b>Brookfield Group Member</b> or a <b>member of the Brookfield Group</b> is to Brookfield or any of its related Bodies Corporate.
<b>Business Day</b>	a business day as defined in the Listing Rules and which is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, Australia.
<b>Cash Consideration</b>	A\$2.15 cash for each Scheme Security held by a Scheme Securityholder.
<b>CGT</b>	capital gains tax.
<b>Conditions Precedent</b>	each of the conditions set out at clause 4.1 of the Scheme Implementation Deed.
<b>Control</b>	with respect to any person (other than an individual) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person whether through the ownership of voting securities, by agreement or otherwise, and for the avoidance of doubt, a general partner is deemed to Control a limited partnership of which it is the general partner and, solely for the purposes of the Scheme Implementation Deed, a fund advised or managed directly or indirectly by a person will also be deemed to be Controlled by such person, and, in respect of Brookfield, will also include any fund, account, client, limited partnership or other collective investment vehicle or other person which is managed or advised by Brookfield or an Affiliate of Brookfield.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth), as modified or varied by ASIC.

# 15. GLOSSARY AND INTERPRETATION CONT

Term	Meaning
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	the NSW Supreme Court or such other court of competent jurisdiction under the Corporations Act agreed to in writing by BidCo and Aveo.
Deal with	when used with respect to an item of property (including securities), includes sell, offer for sale, dispose, transfer, deal with, assign, alienate the right to exercise the votes attached to, or decrease any economic interest in, or grant any encumbrance, trust, option or other right in relation to the whole of any part of the item of property and agreeing to do any of those things or granting an option or making an offer that permits a person to require the doing of any of those things, and <b>Dealing</b> has a corresponding meaning.
Deed Poll	a deed poll in the form of Annexure D (or in such other form as may be agreed to by Aveo and BidCo) under which BidCo, TopCo and AOG L.P. each covenants in favour of the Scheme Securityholders to perform the attributed to BidCo, TopCo and AOG L.P. under the Schemes.
Director Aveo Security	any Aveo Security: <ol style="list-style-type: none"> <li>held by or on behalf of an Aveo Board Member; or</li> <li>listed as an indirect interest in the latest Appendix 3X or Appendix 3Y lodged by Aveo with ASX in respect of each Aveo Board Member.</li> </ol>
Disclosure Materials	<ol style="list-style-type: none"> <li>the documents and information contained in the data room made available by Aveo to BidCo and its Related Persons as at 7.00pm on 8 August 2019, the index of which has been initialled by, or on behalf of, the parties for identification; and</li> <li>written responses from Aveo and its Related Persons to requests for further information made by BidCo and its Related Persons as at 7.00pm on 8 August 2019.</li> </ol>
EBIT	earnings before interest and taxes.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Effective	when used in relation to the Schemes, all of the following events taking place: <ol style="list-style-type: none"> <li>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 AGL Scheme; and</li> <li>the Aveo Group Trust Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.</li> </ol>
Effective Date	the date on which the Schemes become Effective.
Election	has the meaning set out in clause 5.2(a) of the AGL Scheme.
Election Form	the election form that a Scheme Securityholder may request from the Aveo Registry and under which each Scheme Securityholder (other than an Ineligible Foreign Securityholder) may elect to receive either the Scrip Consideration or the Cash Consideration in respect of all of their Scheme Securities.
Election Time	5.00pm (Sydney time) on 25 October 2019, being the date that is eight clear Business Days before the date of the Scheme Meetings.
Eligible Aveo Securityholder	an Aveo Securityholder (other than an Ineligible Foreign Securityholder).
End Date	six months after the date of the Scheme Implementation Deed, or such other later date as agreed in writing by the parties.
Equity Commitment Letter	the binding, executed commitment letter dated on or about the date of the Scheme Implementation Deed addressed to BidCo and Aveo from BSREP III Australia AIV L.P., BSREP III Hydra Brookfield Bermuda AIV L.P., BSREP III Hydra Bermuda AIV L.P. and BSREP III Hydra Bermuda AIV-B L.P..

Term	Meaning
<b>Excluded Securityholder</b>	any Aveo Securityholder who is a member of the Brookfield Group or any Aveo Securityholder who holds any Aveo Securities on behalf of, or for the benefit of, any member of the Brookfield Group and does not hold Aveo Securities on behalf of, or for the benefit of, any other person.
<b>Exit</b>	means: <ol style="list-style-type: none"> <li>1. a sale of at least 50% of the TopCo Shares to a third party;</li> <li>2. a sale of components of the TopCo Group's business or assets that generate at least 50% of the TopCo Group's revenue to a third party; or</li> <li>3. an IPO of TopCo Shares or shares in any other TopCo Group member.</li> </ol>
<b>Exclusivity Period</b>	the period from and including the date of the Scheme Implementation Deed to the earlier of: <ol style="list-style-type: none"> <li>1. the date of termination of the Scheme Implementation Deed;</li> <li>2. the End Date; and</li> <li>3. the implementation of the Schemes.</li> </ol>
<b>Fairly Disclosed</b>	a reference to 'Fairly Disclosed' means disclosed to BidCo or any of its Related Persons, to a sufficient extent, and in sufficient detail, so as to enable a reasonable bidder (or one of its Related Persons) experienced in transactions similar to the Transaction and experienced in a business similar to any business conducted by the Aveo Group, 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).
<b>Financial Adviser</b>	any financial adviser retained by a party in relation to the Transaction or an Alternative Transaction from time to time.
<b>Financial Indebtedness</b>	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: <ol style="list-style-type: none"> <li>1. bill, bond, debenture, note or similar instrument;</li> <li>2. acceptance, endorsement or discounting arrangement;</li> <li>3. guarantee;</li> <li>4. finance or capital lease;</li> <li>5. agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or</li> <li>6. obligation to deliver goods or provide services paid for in advance by any financier.</li> </ol>
<b>First Court Date</b>	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 and to seek the First Judicial Advice or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
<b>First Judicial Advice</b>	confirmation from the Court under section 63 of the <i>Trustee Act 1925</i> (NSW) that: <ol style="list-style-type: none"> <li>1. Aveo Funds RE would be justified in convening the Trust Scheme Meeting for the purposes of considering the Trust Scheme Resolutions; and</li> <li>2. subject to the Trust Unitholders passing the Trust Scheme Resolutions, Aveo Funds RE would be justified in proceeding on the basis that amending the Aveo Group Trust Constitution as set out in the Aveo Group Trust Supplemental Deed would be within the powers of alteration conferred by the Aveo Group Trust Constitution and section 601GC of the Corporations Act.</li> </ol>
<b>Government Agency</b>	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.

# 15. GLOSSARY AND INTERPRETATION CONT

Term	Meaning
<b>GST</b>	Goods and Services Tax.
<b>HoldCo</b>	Hydra RL HoldCo Pty Ltd ACN 635 013 446.
<b>IBC</b>	Independent Board Committee.
<b>Implementation Date</b>	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing.
<b>Independent Expert</b>	KPMG Financial Advisory Services (Australia) Pty Ltd.
<b>Independent Expert's Report</b>	the report issued by the Independent Expert in connection with the Schemes as attached at Annexure A, and including any subsequent, updated or supplementary report, setting out the Independent Expert's opinion whether or not the Schemes are in the best interests of Aveo Securityholders and the reasons for holding that opinion.
<b>Ineligible Foreign Securityholder</b>	a Scheme Securityholder whose address in the Aveo Securities Register as at the Scheme Record Date is a place outside Australia, Bermuda, British Virgin Islands, Malaysia and New Zealand unless BidCo and Aveo agree in writing that it is lawful and not unduly onerous or impractical to issue AOG L.P. Units to that Scheme Securityholder if the Scheme Securityholder so elects under the Schemes.
<b>Insolvency Event</b>	means, in relation to an entity: <ol style="list-style-type: none"> <li>1. the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity;</li> <li>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;</li> <li>3. the entity executing a deed of company arrangement;</li> <li>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;</li> <li>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</li> <li>6. the entity being deregistered as a company or otherwise dissolved.</li> </ol>
<b>IPO</b>	means an initial public offering of shares in TopCo, shares in any Subsidiary of TopCo or shares in a company of which TopCo is or will be a wholly owned subsidiary in conjunction with an application for the quotation of those shares on ASX or any other recognised stock exchange approved by a majority of Class A Securityholders.
<b>Judicial Advices</b>	<ol style="list-style-type: none"> <li>1. First Judicial Advice; and</li> <li>2. Second Judicial Advice.</li> </ol>
<b>Last Practicable Date</b>	23 September 2019.
<b>Listing Rules</b>	the official listing rules of ASX.
<b>Loan Note Deed Poll</b>	the Loan Note Deed Poll at Schedule 4 of the TopCo Shareholders' Deed.

Term	Meaning
<b>Material Adverse Change</b>	<p>any event, occurrence or matter which has resulted in, or is reasonably likely to result in, either individually or when aggregated with all such events, occurrences or matters:</p> <ol style="list-style-type: none"> <li>1. a diminution in the consolidated net assets of the Aveo Group by an amount that is equal to or more than 2% of the value of the consolidated net assets of the Aveo Group as at 30 June 2019; or</li> <li>2. a reduction in the consolidated underlying EBITDA of the Aveo Group in the FY20 forecast annual financial statements of the Aveo Group by an amount more than \$10 million (calculated after taking into account any event, occurrence or matter after the date of the Scheme Implementation Deed that has or could reasonably be expected to have a positive effect on consolidated annual EBITDA), as compared to what the consolidated annual EBITDA of the Aveo Group could reasonably be expected to have been in that financial year but for the relevant events, occurrences or matters, <p>in each case other than an event, occurrence or matter:</p> <ol style="list-style-type: none"> <li>3. required or expressly contemplated by the Scheme Implementation Deed, the Schemes or the transactions contemplated by either;</li> <li>4. Fairly Disclosed in the Disclosure Materials;</li> <li>5. agreed to in writing by BidCo;</li> <li>6. Fairly Disclosed by Aveo in an announcement made by Aveo to ASX, or a publicly available document lodged by it with ASIC or disclosed to BidCo prior to the date of the Scheme Implementation Deed;</li> <li>7. arising as a result of any generally applicable change in law or governmental policy applicable to Australian business generally;</li> <li>8. arising from changes in economic or business conditions (including interest rates) applicable to Australian business generally;</li> <li>9. resulting from a change in generally accepted accounting principles or the interpretation of them; or</li> <li>10. resulting from war, terrorism, civil unrest, act of God, lightning, storm, flood, bushfire, earthquake or explosion, cyclone, tidal wave, landslide, adverse weather conditions occurring on or after the date of the Scheme Implementation Deed.</li> </ol> </li></ol>
<b>Maximum Scrip Threshold</b>	valid elections are made for the Scrip Consideration in respect of Aveo Securities such that AOG L.P. holds 30% of TopCo's total issued share capital (on a fully diluted basis).
<b>Maximum Security Number</b>	580,737,672.
<b>Minimum Scrip Consideration Threshold</b>	valid elections made for the Scrip Consideration in respect of 58,073,767 Aveo Securities.
<b>MLAUBs</b>	Australia and New Zealand Banking Group Limited, Barclays Capital Asia Limited and Bank of China Limited, Sydney branch.
<b>Mulpha Group</b>	Mulpha International Bhd and each of its Related Bodies Corporate.
<b>Notice of Scheme Meeting</b>	the notice of meeting relating to the Scheme Meeting attached as Annexure H.
<b>Notice of Trust Scheme Meeting</b>	the notice of meeting relating to the Trust Scheme Meeting attached as Annexure H.
<b>NPATA</b>	net profit after tax and intangible amortisation.
<b>Proxy Form</b>	the proxy form for the Scheme Meetings to be held on 6 November 2019 which accompanies this Scheme Booklet.

# 15. GLOSSARY AND INTERPRETATION CONT

Term	Meaning
<b>Qualified Person</b>	a person who is not disqualified from managing a corporation pursuant to section 206B of the Corporations Act, who has not been convicted of an indictable offence, and who has not been charged with fraud, bribery or other indictable offences of dishonesty.
<b>Registered Address</b>	in relation to an Aveo Securityholder, the address shown in the Aveo Securities Register as at the Scheme Record Date.
<b>Reimbursement Fee</b>	\$13 million.
<b>Related Bodies Corporate</b>	has the meaning set out in section 50 of the Corporations Act, except that references to 'subsidiary' have the meaning given to 'Subsidiary' in this Scheme Booklet.
<b>Related Person</b>	<ol style="list-style-type: none"> <li>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</li> <li>in respect of a Financial Adviser, each director, officer, employee or contractor of that Financial Adviser.</li> </ol>
<b>Relevant Interests</b>	has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Representative</b>	of a person or entity means any director, officer, employee, adviser, consultant, agent or other representative of or to such person or entity acting in that capacity (and, in the case of an entity which is a body corporate, includes any Related Body Corporate of such entity and any director, officer, employee, adviser, consultant, agent or other representative of or to any such Related Body Corporate).
<b>Resolutions</b>	the Trust Scheme Resolutions and the Scheme Resolution.
<b>Restructure Steps</b>	<p>means, with the prior approval of BidCo (not to be unreasonably withheld or delayed), undertaking all reasonable steps or actions as are necessary in respect of:</p> <ol style="list-style-type: none"> <li>Aveo Group Trust and its Subsidiaries; and</li> <li>Retirement Villages Australia Pty Ltd and its Subsidiaries,</li> </ol> <p>in order to ensure that:</p> <ol style="list-style-type: none"> <li>any outstanding inter-entity balances held by Aveo Group Trust or its Subsidiaries (an <b>AGT Entity</b>), as between an AGT Entity and any other AGT Entity or as between an AGT Entity and any other Aveo Group Member, with a balance in excess of \$50,000 as at the Implementation Date are capitalised, repaid or forgiven;</li> <li>any outstanding inter-entity balances held by RVAL or its Subsidiaries (an <b>RVAL Entity</b>), as between an RVAL Entity and any other RVAL Entity or as between an RVAL Entity and any other Aveo Group Member, with a balance in excess of \$50,000 as at the Implementation Date are capitalised, repaid or forgiven; and</li> <li>the aggregate amount of all inter-entity balances described in paragraphs 3 and 4 above (disregarding for this purpose the threshold of \$50,000), as at the Implementation Date is less than \$500,000.</li> </ol>
<b>Scaleback Arrangements</b>	has the meaning specified in the AGL Scheme.
<b>Scheme Consideration</b>	<p>the consideration to be provided by BidCo to each Scheme Securityholder as at the Scheme Record Date for the transfer to BidCo of each Scheme Security being:</p> <ol style="list-style-type: none"> <li>the Cash Consideration; or</li> <li>the Scrip Consideration.</li> </ol>
<b>Scheme Debt Facilities</b>	the debt facilities described in section 9.9(e).
<b>Scheme Implementation Deed</b>	the scheme implementation deed dated 14 August 2019 (as amended) between BidCo, TopCo, AOG L.P. and Aveo relating to the implementation of the Scheme.

Term	Meaning
<b>Scheme Meeting</b>	the meeting of AGL Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the AGL Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
<b>Scheme Meetings</b>	<ol style="list-style-type: none"> <li>1. the Scheme Meeting; and</li> <li>2. the Trust Scheme Meeting.</li> </ol>
<b>Scheme Record Date</b>	7.00pm on the fifth Business Day after the Effective Date, or such other Business Day after the Effective Day as may be agreed to in writing by BidCo and Aveo.
<b>Scheme Resolution</b>	the resolution set out in the Notice of Scheme Meeting in Annexure H to agree to the terms of the Scheme.
<b>Scheme Security</b>	an Aveo Security held by the Scheme Securityholders as at the Scheme Record Date.
<b>Scheme Securityholder</b>	a holder of Aveo Securities recorded in the Aveo Securities Register as at the Scheme Record Date (other than an Excluded Securityholder).
<b>Schemes</b>	<ol style="list-style-type: none"> <li>1. the AGL Scheme; and</li> <li>2. the Trust Scheme.</li> </ol>
<b>Scrip Consideration</b>	2.15 AOG L.P. Units for one Aveo Security and, for the avoidance of doubt, will only be received by those Scheme Securityholders that elect to receive the Scrip Consideration in accordance with the Schemes (subject to the Minimum Scrip Consideration Threshold being reached and the application of the Scaleback Arrangements).
<b>Scrip Consideration Group</b>	AOG L.P., TopCo and its Subsidiaries merged with the Aveo Group.
<b>Scrip Election</b>	a valid election that a Scheme Securityholder makes in accordance with the Schemes to receive the Scrip Consideration in respect of all (but not less than all) Aveo Securities held by them on the Scheme Record Date, subject to the Scaleback Arrangements.
<b>Second Court Date</b>	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 AGL Scheme is heard and the Second Judicial Advice or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
<b>Second Judicial Advice</b>	confirmation from the Court under section 63 of the <i>Trustee Act 1925</i> (NSW) that, the Trust Unitholders having approved the Trust Scheme Resolutions by the requisite majorities, Aveo Funds RE would be justified in implementing the Trust Scheme Resolutions, giving effect to the provisions of the Aveo Group Trust Constitution (as amended by the Aveo Group Trust Supplemental Deed) and in doing all things and taking all necessary steps to put the Trust Scheme into effect.
<b>Security Interest</b>	has the meaning given in section 51A of the Corporations Act.
<b>Subsidiary</b>	<p>has the meaning given in Division 6 of Part 1.2 of the Corporations Act, provided that an entity will also be taken to be a Subsidiary of another entity if it is Controlled by that entity and, without limitation:</p> <ol style="list-style-type: none"> <li>1. a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share;</li> <li>2. an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and</li> <li>3. an entity will also be deemed to be a Subsidiary of an entity if that entity is required by the accounting standards to be consolidated with that entity.</li> </ol>
<b>Superior Proposal</b>	bona fide written proposal in respect of an Alternative Transaction that the Aveo Board, acting in good faith and after receiving written legal advice from Aveo's external legal advisers, determines will provide a superior outcome for the Aveo Securityholders than the Transaction (taking into account all aspects of the Alternative Transaction including the identity, reputation and financial condition of the person making such proposal; legal, regulatory and financial matters; and the terms of the proposal (including conditionality)).

# 15. GLOSSARY AND INTERPRETATION CONT

Term	Meaning
<b>Tax Act</b>	the <i>Income Tax Assessment Act 1997</i> (Cth).
<b>Third Party</b>	a person other than BidCo, its Related Bodies Corporate and its other Associates.
<b>TopCo</b>	Hydra RL TopCo Pty Ltd ACN 635 012 323.
<b>TopCo Board</b>	the board of directors of TopCo.
<b>TopCo Class A Director</b>	a director appointed to the TopCo Board by TopCo Class A Shareholders.
<b>TopCo Class A Securities</b>	TopCo Class A1 Shares, TopCo Class A1 Notes, TopCo Class A2 Shares and TopCo Class A2 Notes.
<b>TopCo Class A Securityholder</b>	a person who holds TopCo Class A Securities.
<b>TopCo Class A Shareholder</b>	a person who holds TopCo Class A Shares.
<b>TopCo Class A Shares</b>	TopCo Class A1 Shares and TopCo Class A2 Shares.
<b>TopCo Class A1 Note</b>	a loan note issued by TopCo to a TopCo Securityholder in accordance with the TopCo Shareholders' Deed which is designated as a Class A1 Note.
<b>TopCo Class A1 Share</b>	an ordinary share in the capital of TopCo which is designated as a Class A1 Share and has the rights set out in the TopCo Shareholders' Deed and the TopCo Constitution.
<b>TopCo Class A2 Note</b>	a loan note issued by TopCo to a TopCo Securityholder in accordance with the TopCo Shareholders' Deed which is designated as a TopCo Class A2 Note.
<b>TopCo Class A2 Share</b>	an ordinary share in the capital of TopCo which is designated as a Class A2 Share and has the rights set out in the TopCo Shareholders' Deed and the TopCo Constitution.
<b>TopCo Class B Director</b>	a director appointed to the TopCo Board by TopCo Class B Shareholders.
<b>TopCo Class B Securities</b>	TopCo Class B1 Shares, TopCo Class B1 Notes, TopCo Class B2 Shares and TopCo Class B2 Notes.
<b>TopCo Class B Shareholder</b>	a person who holds TopCo Class B Shares.
<b>TopCo Class B Shares</b>	TopCo Class B1 Shares and TopCo Class B2 Shares.
<b>TopCo Class B1 Note</b>	a loan note issued by TopCo to a TopCo Securityholder in accordance with the TopCo Shareholders' Deed which is designated as a Class B1 Note.
<b>TopCo Class B1 Share</b>	an ordinary share in the capital of TopCo which is designated as a Class B1 Share and has the rights set out in the TopCo Shareholders' Deed and the TopCo Constitution.
<b>TopCo Class B2 Note</b>	a loan note issued by TopCo to a TopCo Securityholder in accordance with the TopCo Shareholders' Deed which is designated as a Class B2 Note.
<b>TopCo Class B2 Share</b>	an ordinary share in the capital of TopCo which is designated as a Class B2 Share and has the rights set out in the TopCo Shareholders' Deed and the TopCo Constitution.
<b>TopCo Constitution</b>	the constitution in relation to TopCo attached as Annexure F.
<b>TopCo Directors</b>	TopCo Class A Directors and TopCo Class B Directors.
<b>TopCo Group</b>	TopCo and each of its Subsidiaries (including the Aveo Group, after implementation of the Schemes), and a reference to a <b>TopCo Group member</b> , <b>TopCo Group Company</b> or a <b>member of the TopCo Group</b> is to TopCo or any of its Subsidiaries.
<b>TopCo Note</b>	a TopCo Class A1 Note, TopCo Class A2 Note, TopCo Class B1 Note or TopCo Class B2 Note.
<b>TopCo Securities</b>	the TopCo Class A Securities and the TopCo Class B Securities.



Term	Meaning
<b>TopCo Securityholder</b>	a holder of TopCo Securities.
<b>TopCo Share</b>	a TopCo Class A1 Share, TopCo Class A2 Share, TopCo Class B1 Share or TopCo Class B2 Share.
<b>TopCo Shareholders' Deed</b>	the shareholders' deed in relation to TopCo attached as Annexure E.
<b>Transaction</b>	as described in section 3.1 of the Scheme Booklet.
<b>Transfer</b>	a transfer of a TopCo Securityholder's legal or beneficial interests in TopCo Securities, as the case may be.
<b>Transfer Approval</b>	means any authorisation, registration, filing, permission, licence, approval, direction, declaration, authority or exemption from, by or with any Governmental Agency.
<b>Trust Property</b>	all of the scheme property of Aveo Group Trust, including all Aveo Funds RE's rights, property and undertaking which are the subject of Aveo Group Trust: <ol style="list-style-type: none"> <li>1. of whatever kind and wherever situated; and</li> <li>2. whether present or future.</li> </ol>
<b>Trust Scheme</b>	an arrangement under which BidCo acquires all of the Aveo Group Trust Units from Trust Scheme Participants facilitated by amendments to the Aveo Group Trust Constitution as set out in the Aveo Group Trust Supplemental Deed, subject to the requisite approvals of the Trust Unitholders.
<b>Trust Scheme Meeting</b>	the meeting of the Trust Unitholders convened by Aveo Funds RE to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.
<b>Trust Scheme Participants</b>	each person registered in the Aveo Securities Register as a holder of Trust Scheme Units as at the Record Date.
<b>Trust Scheme Resolutions</b>	the resolutions to approve the Trust Scheme including: <ol style="list-style-type: none"> <li>1. a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the Aveo Group Trust Constitution as set out in the Aveo Group Trust Supplemental Deed; and</li> <li>2. a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the Trust Units by BidCo.</li> </ol>
<b>Trust Scheme Unit</b>	Aveo Group Trust Units as at the Scheme Record Date.
<b>Trust Unitholder</b>	each person who is registered in the Aveo Securities Register as a holder of Aveo Group Trust Units.

## 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 Sydney, Australia;
- i. a reference to writing includes facsimile transmissions; and
- j. a reference to dollars, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

# ANNEXURE A INDEPENDENT EXPERT'S REPORT



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Aveo Group  
Level 5  
99 Macquarie Street  
Sydney NSW 2000

27 September 2019

Dear Independent Directors

## INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

### PART ONE – INDEPENDENT EXPERT REPORT

#### 1 Introduction

Aveo Group (**Aveo**) is a stapled entity that comprises Aveo Group Limited (**AGL**) and Aveo Group Trust and their subsidiaries. Each stapled security (**Aveo Security**) comprises one ordinary share in AGL and one unit in Aveo Group Trust.

On 14 August 2019, the Independent Board Committee (**IBC**) of Aveo announced that it had entered into a Scheme Implementation Deed with Hydra RL BidCo Pty Ltd (**BidCo**) and Hydra RL TopCo Pty Ltd (**TopCo**), entities controlled by Brookfield (**Brookfield Group**), under which BidCo will acquire 100% of Aveo Securities (the **Transaction**). The Transaction will be implemented by way of a trust scheme (**Trust Scheme**) and a company scheme of arrangement (**AGL Scheme**) (together, the **Schemes**).

Under the terms of the Schemes, Aveo stapled securityholders (**Aveo Securityholders**) have the option to receive consideration for each Aveo Security of:

- \$2.15 cash (**Cash Consideration**), which is in addition to the FY19 distribution of 4.5 cents per Aveo Security that was announced on 24 June 2019 and is expected to be paid on 30 September 2019, or
- 2.15 units in AOG L.P. (**AOG L.P. B1 Units**), a Bermudan Limited Partnership that would hold Class B1 shares in an Australian holding company, TopCo, which will own 100% of BidCo (**Scrip Consideration**). Receipt of the Scrip Consideration is subject to certain limitations, including a minimum threshold of 10%, a maximum threshold of 30% and scaleback provisions.

The Transaction follows a strategic review process (**Strategic Review**) that commenced in August 2018 and is described in Section 4.1 of this report.

Aveo is a leading owner, operator and manager of retirement communities (**RCs**). It has three core businesses: Established Business, Development, and Care and Support Services (together, **Retirement**) and certain non-core residential and commercial assets (**Non-Retirement**). Aveo Securities are listed on

KPMG Financial Advisory Services (Australia) Pty Ltd is an affiliate of KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



the ASX (ASX:AOG) and as at 13 August 2019, the last trading day prior to the announcement of the Transaction, it had a market capitalisation of \$1,167 million.<sup>1</sup>

Brookfield Property Group LLC is a real estate investment arm of Brookfield Asset Management, Inc, (**Brookfield**), a global alternative asset management holding company with over US\$365 billion in assets under management. Brookfield is listed on the New York Stock Exchange, Toronto Stock Exchange and Euronext Amsterdam. It has interests in approximately 2,000 assets across 30 countries and is focused on real estate, renewable energy, infrastructure and private equity.

Completion of the Schemes requires the approval of Aveo Securityholders and the satisfaction of various conditions precedent, including an independent expert determining that the Schemes are in the best interests of Aveo Securityholders. Further details in relation to the Schemes and conditions precedent are set out in the Scheme Implementation Deed, which was lodged with the ASX on 14 August 2019, the Notice of Scheme Meeting, Notice of Trust Scheme and Explanatory Statement (**Scheme Booklet**) to be sent to the Aveo Securityholders and in Sections 4.2 and 4.3 of this report.

The IBC has requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) prepare an independent expert report for Aveo Securityholders in relation to the Transaction.

This report sets out the opinion of KPMG Corporate Finance as to the merits or otherwise of the Schemes. This report should be considered in conjunction with and not independently of the information set out in the Scheme Booklet.

Further information regarding KPMG Corporate Finance, as it pertains to the preparation of this report, is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

## 2 Requirements for our report

The Transaction is to be implemented by a scheme of arrangement under Section 411 of the Corporations Act (Cth) (**Corporations Act**) in respect of AGL and a trust scheme in respect of Aveo Group Trust. Although there is no technical requirement for an independent expert report to be prepared in relation to the Schemes, it is a condition precedent to the Schemes as set out in Clause 4.1(d) of the Scheme Implementation Deed.

In undertaking our work we have had regard to the guidance provided by Australian Securities and Investments Commission (**ASIC**) in its Regulatory Guides and in particular Regulatory Guide 111 'Content of expert reports' (**RG 111**), which outlines the principles and matters which it expects a person preparing an independent expert report to consider when providing an opinion.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 5 of this report.

## 3 Opinion

### 3.1 Summary of opinion

In our opinion, the Schemes are **in the best interests of Aveo Securityholders** in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Schemes are:

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<sup>1</sup> Based on a closing price of \$2.01 on 13 August 2019 and 580,737,672 Aveo Securities.

# ANNEXURE A

## INDEPENDENT EXPERT'S REPORT CONT



*Aveo Group  
Independent Expert Report and Financial Services Guide  
27 September 2019*

- fair, by comparing the Cash Consideration to our assessed value of an Aveo Security on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111, and
- reasonable, by assessing the implications of the Schemes for Aveo Securityholders, the alternatives to the Schemes which are available to Aveo Securityholders and the consequences for Aveo Securityholders of not approving the Schemes.

Our assessment has concluded that the Schemes are fair and reasonable. As such, in accordance with RG 111, we have concluded that the Schemes are in the best interests of Aveo Securityholders.

In 2013, Aveo announced a strategy to transform from a diversified property group to a pure retirement group by focusing on Development, integrating care into the portfolio and divesting Non-Retirement assets. It largely achieved its long-term targets and until FY18, generated strong earnings and net tangible asset (NTA) growth.

Aveo has experienced a number of company and industry specific issues and macroeconomic challenges in recent years. In June 2017, a joint media report by Fairfax media and ABC Four Corners<sup>2</sup> into alleged practices at Aveo' RCs triggered a period of heightened regulatory scrutiny for Aveo and the retirement industry, resulting in a shift in public perceptions which negatively impacted demand from new residents and a class action being filed against Aveo in September 2017. In July 2017, the Australian Competition and Consumer Commission (ACCC) commenced an investigation into Aveo. Although Aveo has limited exposure to aged care, the Royal Commission into Aged Care announced in September 2018 added further uncertainty. These reputational issues were compounded by a downturn in the residential property market which commenced in late 2017/early 2018, negatively impacting Aveo's unit pricing and settlement rates and, therefore, deferred management fee (DMF) and capital gain (CG) income.<sup>3</sup>

At the same time, mandatory buybacks have increased as a result of continued take up of the Aveo Way suite of contracts (which have a 6 to 12 month guaranteed buyback provision<sup>4</sup>) and 18 month statutory buyback provisions (which resulted in buybacks in Queensland from 1 May 2019 and in South Australia from 1 July 2019<sup>5</sup>). Lower sales and higher buybacks have resulted in a substantial build-up of buyback stock. At the same time, Aveo has ramped up its development activities in recent years resulting in a build-up of new units available for first occupancy. Higher stock levels have increased vacant unit levies. As at 30 June 2019, Aveo had \$765 million of working capital invested in buyback and Development stock. Aveo's group borrowing facilities are fully drawn<sup>6</sup> and certain of its financial ratios are at or close to covenants.

In the absence of a turnaround in the residential property market, it will be challenging to reduce the excess working capital. As a result of the high level of working capital, Aveo currently has limited cash and no available group debt. This, combined with negative cash generation from Retirement<sup>7</sup> and limited remaining Non-Retirement assets to be divested, results in there being limited funds available to implement the long-term strategy of investing in Development and further integrating care into the portfolio.

<sup>2</sup> The joint report included a television feature on ABC Four Corners as well as two consecutive major features in the Sydney Morning Herald and The Age, claiming that Aveo and other RCs operate in an industry that is "built on unfair practices".

<sup>3</sup> Refer to Section 6.3.1 of this report for a description of these fees.

<sup>4</sup> See Section 7.5.2 for contract terms.

<sup>5</sup> Refer to Section 6.5.1 of this report.

<sup>6</sup> Refer to Section 7.10.4 of this report.

<sup>7</sup> Refer to Section 7.11 of this report.



We note that brokers are not forecasting any substantial growth in distributions over the next three years and as such it is likely that in the absence of the Transaction, or an alternative transaction, Aveo's security price will be subdued.

Aveo's long-term growth prospects are positive, including favourable long-term industry fundamentals,<sup>8</sup> the potential for margins to increase as a result of the continued rollout of the Aveo Waysuite of contracts and Freedom Aged Care (FAC) conversions.<sup>9</sup> However, the timing of a recovery of the residential property market is uncertain and until such time, Aveo remains exposed to a number of significant risks (refer to Section 3.3 of this report).

Furthermore, the DMF/CG model increases risk associated with Aveo's cash flows by increasing the 'lumpiness' of cash flows (with DMF/CG inflows being received on exit of residents and a significant lag in time between settlement dates) while the Aveo Way suite of contracts increases risk as Aveo takes 100% of CGs or capital losses, is subject to a buyback guarantee on exit (which is more likely to be used in a downturn in the residential property market) and is responsible for higher fixed costs on exit (i.e. refurbishment, reinstatement and selling).

As at 23 September 2019, Aveo Securityholders holding 35.3% of securities had exited their investment at an average price of \$2.12 (a 3.4% discount to the sum of the Cash Consideration and FY19 distribution which is expected to be paid on 30 September 2019).<sup>10</sup> This may indicate securityholders' desire for certainty relative to taking execution risk.

#### **Assessment of fairness**

We have assessed the value of an Aveo Security to be in the range of \$2.08 to \$2.39. Our range of assessed values for Aveo incorporates synergies and benefits that would generally be available to a pool of purchasers. It does not include other potential synergies available to any particular acquirer.

As the Cash Consideration of \$2.15 per Aveo Security is within our assessed value range for an Aveo Security, we consider the Schemes to be fair.

As the Cash Consideration is the default option and it is considered to be fair, it is not necessary for KPMG Corporate Finance to form an opinion on whether the Schemes are fair based on the Scrip Consideration. It is not possible to reliably estimate the value that might ultimately be realised for the AOG L.P. B1 Units in the future. However, in the absence of an exit or other liquidity event, the realisable value per AOG L.P. B1 Unit would be expected to incorporate a substantial minority and marketability discount. As such, if KPMG Corporate Finance was required to provide an opinion on a transaction that only offered the Scrip Consideration, we would likely have concluded that such a transaction was not fair.

The Schemes follow an extensive sale process as part of the Strategic Review<sup>11</sup> that was competitive and public. Accordingly, it is likely that the Cash Consideration of \$2.15 represents the maximum arm's length value that could be realised for Aveo at the present time.

Our analysis of the fairness of the Schemes is detailed further in Section 3.2 below.

#### **Assessment of reasonableness**

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Schemes to be fair, this means that the Schemes are reasonable. Notwithstanding this requirement, we have also considered

<sup>8</sup> Refer to Section 6.7 of this report.

<sup>9</sup> Described in Section 7.6.1 of this report.

<sup>10</sup> Refer to Section 7.15.3 of this report.

<sup>11</sup> Refer to Section 4.1 of this report.

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the following factors that Aveo's Securityholders may wish to consider in assessing whether to approve the Schemes. These include:

- the Cash Consideration plus distribution represents a substantial premium to the undisturbed trading prices of Aveo Securities up until 12 February 2019.<sup>12</sup> Since that time, Aveo's financial performance and residential property market conditions have deteriorated, suggesting that Aveo's security price would trade lower (and the premium would be higher) under current market conditions and in the absence of the Transaction (or other potential transactions). Therefore, the Schemes represent the best opportunity for Aveo Securityholders to realise a control value for their securities in the absence of a superior proposal
- there are a number of disadvantages and risks associated with the Scrip Consideration which are described in Section 3.3 of this report. In particular, AOG L.P. B1 Units will be illiquid and AOG L.P. Limited Partners will have reduced shareholder rights and protections
- the Cash Consideration allows Aveo Securityholders to immediately realise the value from their investment. It provides certainty as to the pre-tax amount they will receive
- Aveo Securityholders who receive the Cash Consideration are no longer exposed to the substantial risks to which Aveo is exposed (including the risk of a continued downturn in the Australian property market / slower recovery than anticipated, and associated impact on earnings, working capital and funding requirements)
- Aveo held a competitive and public sale process as part of the Strategic Review. A number of indicative, non-binding proposals were received from parties interested in a whole of company transaction, however, following due diligence, there were no other binding offers. Furthermore, Mulpha International Bhd and each of its related bodies corporate (**Mulpha Group**) has a 24.38% interest in Aveo, which is a potential deterrent to an acquirer, as is the difficulty of obtaining finance for RC assets, and
- in the absence of the Schemes or a superior alternative proposal, the Aveo Security price is likely to fall to levels at which it was trading prior to 13 February 2019 when Aveo announced it had received a number of indicative, non-binding offers (i.e. prices that do not include a control premium) and, potentially, below those levels as a result of the deterioration of Aveo's financial performance and industry conditions since that date. Based on Aveo's recent financial performance and broker forecasts, it is unlikely that Aveo will pay any substantial distributions in the near future.

Aveo Securityholders should also consider the general tax implications associated with the Schemes, the number of conditions which if not satisfied will result in the Schemes not being implemented and the transaction costs that will be incurred irrespective of whether the Schemes are implemented.

Our analysis of the reasonableness considerations is detailed further in Section 3.3 of this report.

The decision of whether or not to approve the Schemes is a matter for individual Aveo Securityholders based on their views as to value, expectations about future market conditions and their particular circumstances including their investment strategy and portfolio, risk profile and tax position. If in doubt, Aveo Securityholders should consult their own professional adviser regarding the action they should take in relation to the Schemes.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of this report. We have not undertaken to update our report for events or circumstances arising after the

<sup>12</sup> The last trading day prior to the announcement that Aveo had received a number of indicative, non-binding bids from parties interested in a whole of company transaction as part of the Strategic Review. Trading prices are 'cum distribution'.



date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 5.3 of our report.

### 3.2 The Schemes are fair

We have assessed the value of Aveo (inclusive of a control premium) to be in the range of \$1,210.6 million to \$1,385.9 million, which corresponds to a value of \$2.08 to \$2.39 per Aveo Security. As the Cash Consideration of \$2.15 per Aveo Security is within our assessed value range for an Aveo Security, we consider the Schemes to be fair.

Our valuation is set out in Section 8 of this report and is summarised below.

**Table 1: Aveo valuation summary**

\$ million unless otherwise stated	Section reference	Value range	
		Low	High
<b>Retirement:</b>			
Established Business	8.3	1,520.0	1,620.0
Development	8.4	460.0	510.0
US Seniors	8.5	35.7	36.7
Care and Support Services	8.6	50.6	52.3
Capitalised unallocated corporate overheads (net of savings)	8.7	(211.2)	(193.6)
<b>Total Retirement</b>		<b>1,855.1</b>	<b>2,025.4</b>
Non-Retirement inventories	8.9	80.0	85.0
Surplus assets	8.10	48.6	48.6
<b>Value of Aveo enterprise value</b>		<b>1,983.7</b>	<b>2,159.0</b>
Adjusted net interest bearing liabilities <sup>1</sup>	8.11	(773.1)	(773.1)
<b>Equity attributable to Aveo Securityholders</b>		<b>1,210.6</b>	<b>1,385.9</b>
Diluted number of Aveo Securities outstanding (million) <sup>2</sup>		580.7	580.7
<b>Value per Aveo Security</b>		<b>\$2.08</b>	<b>\$2.39</b>

Source: KPMG Corporate Finance analysis. Table may not add due to rounding.

Notes:

- Net interest bearing liabilities as at 30 June 2019 has been adjusted to reflect the payment of the FY19 distribution of \$26.0 million and a \$6.2 million cash payment to senior management for Aveo Incentives.
- Includes 2,400,188 treasury securities issued to senior management under incentive plans including the short-term incentive deferred securities which will vest in the ordinary course prior to the Scheme Meetings and the outstanding Aveo Incentives which will vest as a result of the change of control.

Our valuation reflects 100% ownership of Aveo and, therefore, incorporates a control premium. As a result, we would expect the value to be in excess of the price at which Aveo Securities would trade on the ASX in the absence of a takeover offer. In assessing an appropriate premium for control in accordance with RG 111, we have considered synergies that may be available to financial buyers as these are the most likely buyers based on parties who expressed an interest in acquiring Aveo during the Strategic Review. Direct synergies available to such an acquirer would likely only include public company costs. Therefore, the valuation assumes that these expenses are eliminated (see Section 8.7 of this report).

Aveo's operating business has been valued based on a 'sum-of-the-parts' methodology. The value of Retirement is the sum of the following:

- the value of Established Business on the basis of a Discounted Cash Flow (**DCF**) methodology. The cash flows include DMF/CG income with respect to units leased or sold, as well as the cash proceeds from the sale of existing buyback stock and subsequent DMF/CG income on that stock once it is sold or leased
- Development includes the development of new units (**Major Development**) and the conversion of existing serviced apartments (**SAs**) to FAC SAs and refurbishment of units (**Minor Development**). Major and Minor Development under construction and Major Development units available for first

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occupancy have been valued based on a DCF methodology. No value has been attributed to pipeline units that are not already under construction

- Care and Support Services has been valued based on a DCF methodology
- the US portfolio (**US Seniors**) has been valued based on capitalisation rates, and
- in valuing each of Aveo's businesses, KPMG Corporate Finance has included all divisional costs, however, has not included the unallocated expenses, which have been capitalised separately at a multiple of 11 to 12 times based on multiples at which RC operators are trading and recent transactions in the industry.

The value of Retirement has been cross-checked utilising a capitalisation of earnings (**Capitalised Earnings**) methodology, taking into account multiples at which listed RC operators are trading and recent transactions in the industry.

We have then added Non-Retirement inventories and surplus assets and deducted adjusted net interest bearing liabilities<sup>13</sup> as at 30 June 2019. The valuation of an Aveo Security is set out in Section 8 of this report.

The key differences between KPMG Corporate Finance's assessed values for each of Aveo's divisions and the Directors valuations as reflected on the balance sheet are:

- KPMG Corporate Finance's approach values Aveo's business as a whole based on how the business is currently operating, recognising that there are various divisional overhead costs incurred related to operating the portfolio of assets owned by Aveo and that such costs are relevant to assessing Aveo's business as a whole (including for a hypothetical buyer). These divisional costs would not be incurred as part of any specific property asset, such that the individual property assets collectively have, technically and in theory, a respective fair value that is higher than that attributed by KPMG Corporate Finance's approach (that higher fair value being similar to the approach adopted by Aveo for the purposes of Aveo's statutory financial statements<sup>14</sup>). Aveo did not, however, as part of the Strategic Review, receive any interest in acquiring the property assets on an individual basis and instead, offers were made for the entire portfolio and business.<sup>15</sup> As such, KPMG Corporate Finance's view is that its approach to the valuation of Aveo is most appropriate in the circumstances
- additional consolidated group capital expenditure related to community centre upgrade projects and other general group capital expenditures has been included in the KPMG Corporate Finance valuation
- slightly lower property price growth rates have been adopted by KPMG Corporate Finance<sup>16</sup>
- slightly lower discount rate assumptions have been adopted by KPMG Corporate Finance<sup>17</sup>
- the KPMG Corporate Finance valuation assumes that all residents ultimately convert to an Aveo Way contract in accordance with Aveo's strategy, whereas the book value assumes the Aveo Way suite of contracts is adopted as standard for future residents only at RCs where 20% of residents as at 30 June 2019 had adopted the Aveo Way suite of contracts

<sup>13</sup> Net interest bearing liabilities as at 30 June 2019 has been adjusted to reflect the payment of the FY19 distribution of \$26.0 million which is expected to be paid on 30 September 2019 and a \$6.2 million cash payment to senior management for Aveo Incentives.

<sup>14</sup> Refer to Section 7.10.1 of this report.

<sup>15</sup> Refer to Section 3.3 of this report.

<sup>16</sup> See Appendix 6.

<sup>17</sup> See Appendix 7.





- KPMG Corporate Finance's valuation assumes that all SAs in the Minor Development portfolio convert to FAC SAs in accordance with Aveo's strategy, whereas the book value assumes SAs are converted to FAC SAs only if more than 20% of SAs at that RC as at 30 June 2019 had been converted to FAC SAs
- the book value of buyback stock is based on current market values that reflect recent transaction information, whereas KPMG Corporate Finance has taken into consideration the likely timing of the sell down of these stock units
- the book values of investment property under construction and Minor Development represents the cost of the properties and do not take into account the timing of cash flows relating to the settlement of these properties, whereas KPMG Corporate Finance has taken into account the likely timing of the settlements relating to these properties and future DMF/CG expected to arise on the subsequent 'sale' of these units, and
- the book value of new units available for first occupancy is based on pre-sales and recent transaction information, whereas KPMG Corporate Finance has taken into account the likely timing of the settlements of these properties and future DMF/CG expected to arise on the subsequent 'sale' of these units.

The key factors considered in our assessment of the value of Aveo are:

- the downturn in the residential property market has resulted in lower retirement property prices and a lower growth outlook, increased buybacks and longer settlement periods as it has taken longer for new residents to sell their homes and/or they have had to reduce prices. These factors have adversely impacted Aveo's DMF/CG income. The timing of a recovery in the residential property market is uncertain. There is also potential for reputation issues relating to Aveo and the retirement industry to further impact on settlements
- potential for buyback stock levels to remain elevated (4.0% of Established Business units at 30 June 2019) given the subdued outlook for the residential property market<sup>18</sup>, introduction of statutory buyback provisions<sup>19</sup> and the continued rollout of the Aveo Way suite of contracts (which incorporate a 6 to 12 month buyback guarantee on exit)
- the characteristics of Aveo's Established Business portfolio, including its predominantly metropolitan locations, shorter tenure relative to peers and mix of freehold and leasehold ownership<sup>20</sup>
- Aveo's long-term earnings growth prospects, underpinned by favourable industry fundamentals (i.e. ageing population, housing affordability and financial pressure on retirees),<sup>21</sup> potential for earnings growth with a recovery in the residential property market and anticipated margin growth resulting from increased take up of the Aveo Way suite of contracts<sup>22</sup> and continued FAC SA conversions<sup>23</sup>

<sup>18</sup> Refer to Section 6.6.1 of this report.

<sup>19</sup> Includes statutory buyback provisions in Queensland (legislation effective 1 November 2017 and such that buybacks commenced on 1 May 2019) and South Australia (legislation effective 1 January 2018 such that buybacks commenced on 1 July 2019). A reform for mandatory sale or buyback periods was announced by NSW Minister on 14 February 2019, potentially requiring shorter buyback periods of six months in metropolitan areas and 12 months in regional areas.

<sup>20</sup> Refer to Sections 7.5.1 and 7.5.2 of this report.

<sup>21</sup> Refer to Section 6.7 of this report.

<sup>22</sup> Refer to Section 7.5.2 of this report.

<sup>23</sup> Described in Section 7.6 of this report.

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- KPMG Corporate Finance has valued Aveo’s Major and Minor Developments under construction and completed Major Development units available for first occupancy but has not valued any RCs not yet in construction or any development platform on the basis that:
  - some of Aveo’s financial ratios are close to covenants and its group facilities are fully drawn<sup>24</sup> and, combined with negative cash generation from Retirement<sup>25</sup> and limited remaining Non-Retirement assets to be divested, Aveo has limited capital available to invest in Development
  - an acquirer is unlikely, in a subdued market, to pay for development activities for which they will bear all risk and front all capital
  - Aveo has substantially scaled back development activities in FY20 and reduced its Development workforce. As such, it does not have an extensive development platform
  - Aveo has only recently ramped up development activities (it delivered 62 Major Developments in FY15, 506 units in FY18 and 419 units in FY19 and commenced Minor Developments as recently as FY17). As such, it does not have an extensive track record of delivering new units
- a majority of Aveo’s borrowings are due to expire in the next two years.<sup>26</sup> We would expect refinancing would result in a higher margin on debt, and
- synergies available to financial buyers.<sup>27</sup>

A comparison of our assessed value per Aveo Security on a control basis to the Cash Consideration is illustrated below.

**Figure 1: Assessment of fairness**



Source: KPMG Corporate Finance analysis.

**As the Cash Consideration of \$2.15 per Aveo Security falls within our assessed value range for an Aveo Security of \$2.08 to \$2.39, we consider the Schemes to be fair.**

In considering the fairness of the Schemes, Aveo Securityholders should also take into account the following:

- our valuation does not attribute any value to the class action as the potential liability is not quantifiable at this time. The inclusion of any liability would only reduce the value of Aveo Securities (and further confirm our opinion that the Schemes are ‘fair’), and

<sup>24</sup> Refer to Section 7.10.4 of this report.

<sup>25</sup> Refer to Section 7.11 of this report.

<sup>26</sup> Refer to Section 7.10.4 of this report.

<sup>27</sup> Refer to Section 8.2.3 of this report.

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- the Schemes follow an extensive sale process as part of the Strategic Review<sup>28</sup> that was competitive and public. Accordingly, it is likely that the Cash Consideration of \$2.15 represents the maximum arm’s length value that could be realised for Aveo at the present time.

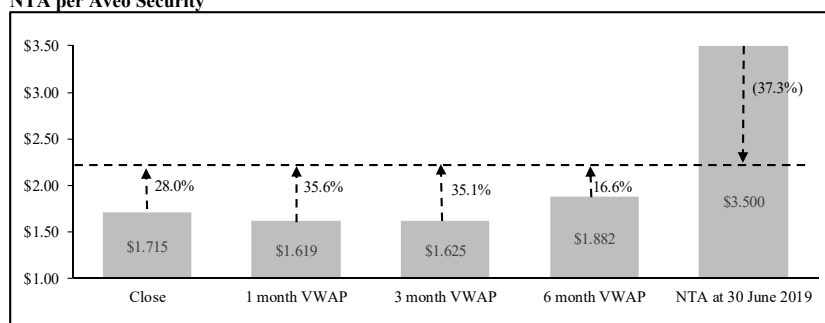
### 3.3 The Schemes are reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Schemes to be fair, this means that they are reasonable. Notwithstanding this requirement, we have also considered the following factors that Aveo’s Securityholders may wish to consider in assessing whether to approve the Schemes.

***The Cash Consideration offered under the Transaction plus FY19 distribution represents a substantial premium to the undisturbed trading price of Aveo Securities<sup>29</sup>***

The premiums of the Cash Consideration plus FY19 distribution of \$2.195 relative to the trading prices of Aveo Securities over various periods to 12 February 2019, the last trading day prior to the announcement that Aveo had received a number of indicative, non-binding bids from parties interested in a whole of company transaction as part of the Strategic Review, are illustrated below.

**Figure 2: Premium of Cash Consideration plus FY19 distribution over the Aveo Security price and NTA per Aveo Security**



Source: IRESS, KPMG Corporate Finance analysis.

With regard to our assessment of the premiums implied by the Cash Consideration, we note:

- it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a security to reflect their ability to obtain control over the target’s strategy and operations, as well as extract synergies from integration. Observations from transaction evidence indicate that takeover premiums concentrate around a range between 25% and 40%<sup>30</sup> for completed takeovers, depending on the individual circumstances of the specific transaction. In transactions where it was estimated that significant synergies could be achieved, the takeover premium was frequently estimated to be at the high end of this range or greater

<sup>28</sup> Refer to Section 4.1 of this report.

<sup>29</sup> Prior to the announcement on 13 February 2019 that Aveo had received a number of indicative, non-binding bids from parties interested in a whole of company transaction as part of the Strategic Review. Trading prices are ‘cum distribution’.

<sup>30</sup> KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat ‘unaffected’ share price of the target company to the final offer price.

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- the observed premiums based on the one and three month VWAPs are towards the high end of the range of premiums indicated by transaction evidence and the observed premium based on the closing price on 12 February 2019 is within the range of premiums
- the substantial premium offered by Brookfield over Aveo's trading prices may reflect the potential for Aveo to provide a platform for Brookfield to undertake further strategic acquisitions in the retirement industry (including acquiring assets that have become distressed as a result of the downturn in residential property prices and introduction of legislated buyback provisions). It may also reflect that Aveo's security price was impacted by negative press surrounding Aveo and the retirement industry
- when the Cash Consideration plus FY19 distribution is compared to pre-announcement prices over a longer period, the premium is 16.6%, which is below the low end of the range of premiums. On 14 November 2018, Aveo announced that it would not confirm its FY19 guidance of 20.4 cents due to market conditions and uncertainty surrounding future sales levels. Consequently, premiums calculated for Aveo based on security trading prior to this date are less relevant
- the premiums over all periods presented may be understated since Aveo's earnings performance and the residential property market have deteriorated further since 13 February 2019. In particular, the security price decreased by 5.3% following management's warning on 24 June 2019 that its FY19 financial results would be adversely affected by the downturn in the residential property market and that underlying profit for FY19 was estimated at \$50 million, and
- it is not appropriate to compare the Cash Consideration to NTA per Aveo Security since, consistent with industry practice, the Directors' valuations of the assets as reflected on Aveo's balance sheet do not include a large share of divisional expenses, all unallocated corporate expenses and certain group capital expenditure which are required to operate a portfolio of RCs.<sup>31</sup>

### *There are a number of disadvantages and risks associated with the Scrip Consideration*

For Eligible Aveo Securityholders, the decision to elect the Scrip Consideration is independent of their decision to vote in favour of the Schemes. Aveo Securityholders who elect the Scrip Consideration will be entitled to receive units in AOG L.P., a Bermudan Limited Partnership which will hold Class B1 shares in an Australian holding company, TopCo, the holding company of BidCo.

The Scrip Consideration enables Aveo Securityholders to retain an economic interest in Aveo's business operations and assets and, accordingly, Aveo Securityholders who elect to receive the Scrip Consideration may be able to participate in any future exit by Brookfield. However, as at the date of this report, Brookfield has not determined the timing of any potential sale nor the exit mechanism and as such, the amount that could be realised is uncertain. Furthermore, there are a number of disadvantages associated with the Scrip Consideration:

- **minimum Scrip Consideration threshold:** the Scrip Consideration will only be available if more than 10% of Aveo Securityholders elect to receive the Scrip Consideration
- **scaleback arrangements:** if scrip elections are received in respect of more than 30% of TopCo securities, Aveo Securityholders who elect to receive AOG L.P. B1 Units will be subject to scaleback arrangements (on a pro rata basis) such that they will receive fewer AOG L.P. B1 Units and have a lower economic interest in Aveo than they do currently
- **reduced shareholder rights:** Aveo Securityholders will be subject to the rights and restrictions under the AOG Partnership Agreement (refer to Section 10.1 of the Scheme Booklet)

<sup>31</sup> Refer to Section 7.10.1 of this report.



- **fewer shareholder protections:** Aveo Securityholders will not have various protections which securityholders have when investing in an ASX listed company, such as not being subject to the ASX Listing Rules (including continuous disclosure obligations, limitations on the ability of companies to issue new capital and thereby dilute shareholders, restrictions on related party transactions) and Australia's takeover regime (e.g. acquisitions of relevant interests and certain minority protection rights) (refer to Section 10.2 of the Scheme Booklet)
- **potentially no limited liability:** AOG L.P. Limited Partners may not have the benefit of limited liability which currently exists for Aveo Securityholders
- **units are illiquid:** Aveo Securityholders will no longer have a liquid market. AOG L.P. will not be publicly listed and there are various restrictions on transferring AOG L.P. B1 Units (transfers will only be permitted in very limited circumstances as set out in the AOG L.P. Partnership Agreement) (refer to Section 10.1 of the Scheme Booklet)
- **no guarantee of a benefit from a future exit by Brookfield:** if Brookfield decides to exit its investment, AOG L.P. Limited Partners may be forced to sell their units at the same time under 'drag along rights' in the TopCo Shareholders' Deed. The value of Aveo at this time may be more or less than the Cash Consideration
- **no guarantee of dividends:** there is no guarantee that TopCo will pay any dividends. The payment of dividends is at the discretion of the TopCo Board, which will be controlled by Brookfield
- **lack of control:** Brookfield will have control over Aveo through its minimum 70% interest in TopCo, the rights attaching to TopCo Class A Shares (e.g. TopCo Class A Shareholders will have the ability to determine the timing and terms of any exit) and an ability to appoint a majority of the TopCo Board. As a result, Brookfield will be in a position to determine the outcome of most decisions relating to TopCo. Furthermore, Aveo Securityholders will have an indirect holding in TopCo (and Aveo) through AOG L.P.. AOG L.P. Limited Partners may only enforce their rights against the AOG L.P. General Partner, under the AOG L.P. Partnership Agreement, and not against TopCo or any other member of the TopCo Group
- **potential future dilution:** AOG L.P. may issue additional units (AOG L.P. B2 Units or AOG L.P. B2 Notes) and TopCo may issue additional shares in future, diluting the AOG L.P. B1 Units
- **no rollover relief:** Aveo Securityholders will not be able to defer capital gains arising from the Schemes as they will not be entitled to capital gains tax rollover relief (refer to Section 12.1 of the Scheme Booklet), and
- **greater financial leverage:** AOG L.P. will be an indirect shareholder in TopCo Group which will have higher leverage and hence risk than Aveo currently does.

Furthermore, the Aveo Directors do not recommend that Aveo Securityholders make this election due to the speculative nature of the AOG L.P. Units and the fact that their appropriateness will depend significantly on the characteristics and risk profile of individual securityholders. There may be Aveo Securityholders that find the Scrip Consideration attractive and are not concerned about the existence of a major shareholder, however, they should carefully consider the rights and risks attaching to the AOG L.P. B1 Units before making an election to receive the Scrip Consideration.

***It is not possible to reliably estimate the value of the Scrip Consideration, however, if we were required to provide an opinion on a transaction that only offered the Scrip Consideration, we would likely have concluded that such a transaction is 'not fair'.***

The underlying value of the AOG L.P. B1 Units received by Aveo Securityholders who elect the Scrip Consideration will prima facie be the same as the underlying value of the Aveo Securities prior to implementing the Schemes. However, the illiquidity and limited rights as minority shareholders of AOG L.P. are likely to affect the price that another party is willing to pay for those units in any subsequent sale

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other than as part of a sale of the whole. As such, the realisable value of the AOG L.P. B1 Units will be likely lower.

It is not possible to reliably estimate the value that might ultimately be realised for the AOG L.P. B1 Units since:

- in the short-term, Aveo Securityholders may not be able to easily realise any value for their securities. AOG L.P. B1 Units will not be publicly listed and there are restrictions on the transfer of units. Brookfield has provided no undertaking that it would be prepared to acquire any units that become available, and
- Aveo Securityholders may be able to participate in any future exit by Brookfield, however, as at the date of this report, Brookfield has not determined the timing of any potential sale nor the exit mechanism. The price that AOG L.P. Limited Partners might ultimately realise for their units will be influenced by a range of factors, including Aveo's future financial performance and industry conditions.

In the absence of an exit or other liquidity event, the realisable value per AOG L.P. B1 Unit would be expected to incorporate a substantial minority and marketability discount. Minority discounts are typically in the order of 20% to 29% (i.e. a 25% to 40% control premium<sup>32</sup>) and marketability discounts are typically 30% to 40%.<sup>33</sup> However, the actual discount will depend on the specific circumstances.

A combined discount in the range of, say, 50% to 60% would result in a value for AOG L.P. B1 Units that is substantially below the Cash Consideration of \$2.15 per Aveo Security. As such, if KPMG Corporate Finance was required to provide an opinion on a transaction that only offered the Scrip Consideration, we would likely have concluded that such a transaction was not fair.

***Aveo Securityholders who receive the Cash Consideration will no longer be exposed to the risks to which Aveo is exposed***

There are a number of risks associated with an investment in Aveo, including:

- ***continued downturn in residential property market / slower than anticipated recovery:*** this could have a number of adverse consequences including a reduction in the average transaction prices (and, consequently, DMF/CG income), an increase in settlement periods (as has been experienced recently) and an increase in stock levels (as it may be more difficult to sell stock and as mandatory buybacks likely increase). An increase in stock levels would result in an increase in holding costs, require additional capital and have a negative impact on value as a result of the time value of money
- ***regulatory risk:*** including the potential for further mandatory buyback provisions (including the proposed 6 to 12 month statutory buyback provisions in New South Wales)
- ***reputation:*** the potential for reputational issues relating to Aveo and/or the retirement industry to further impact sales
- ***Development margins:*** could be affected by property price growth, construction delays and cost increases. Aveo's financial performance in recent years has been supported by Development profits (delivered basis) for which margins have been at the high end of or exceeded targets.<sup>34</sup> Aveo

<sup>32</sup> KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

<sup>33</sup> Source: Mercer, Quantifying Marketability Discounts, 1997, Pratt Reilly and Schweiths, Valuing a Business 4<sup>th</sup> Edition and updated from Shannon Pratt's Business Valuation Update; and John Emory, the value of marketability as illustrated in IPO of common shares, Business Valuation Review, September 1997 and Willamette Management Associates, unpublished studies and Mercer, Figure 3-4.

<sup>34</sup> Refer to Section 7.9.2 of this report for target margins.

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generally sets fixed price contracts and includes early completion bonuses and/or late completion penalties in its construction contracts, however, there is no certainty that these margins will continue to be generated if the downturn in the residential property market continues

- **ability to execute long-term strategy:** risk that Aveo will not have sufficient capital to execute on its long-term strategy of investing in Development and further integrating care into its portfolio<sup>35</sup>
- **liquidity risk:** Aveo has generated negative cash flows from Retirement over the last four years<sup>36</sup> and the divestment of the Non-Retirement portfolio is nearing completion.<sup>37</sup> As at 30 June 2019, all Aveo group borrowings were drawn and it had available cash (\$52.0 million, excluding \$1.3 million of restricted cash).<sup>38</sup> Furthermore, most debt is due in the next two years and certain of Aveo's financial ratios are close to covenants.<sup>39</sup>

In the absence of a turnaround in the residential property market, it will be challenging to reduce the excess working capital. As at 30 June 2019, Aveo had \$765 million of working capital invested in buyback and Development stock. Aveo management has estimated that it needs substantially more settlements in FY20 than the 901 settlements in FY19 to 'break-even' from a cash flow perspective. If the downturn in the residential property market continues or deteriorates, there is a risk that Aveo will not be able to sell this stock and thus, will not generate sufficient cash flow to meet its funding obligations and/or will breach its covenants. Renegotiation of debt facilities could result in an increase in borrowing costs. Any equity raising is likely to be at a substantial discount, further reducing Aveo's security price, and

- potential that Aveo will be required to make a settlement payment as a result of the class action, the quantum of which is unknown.

***Aveo Securityholders who receive the Cash Consideration will not participate in the potential longer term benefits from any future growth of the business***

By exiting their investment in Aveo, securityholders will not participate in the potential long-term benefits from any future growth in the business (in addition to that forecast). In this regard, Aveo's strategy is to focus on Retirement through continuing to roll out the Aveo Way suite of contracts, delivering high quality development projects and adding value through the integration of care into the portfolio.<sup>40</sup> However, we note that:

- there is substantial risk in waiting for the residential market to recover such that Aveo can clear excess stock
- it is uncertain whether Aveo will have sufficient capital to execute on its strategy in the short to medium-term, and
- Aveo's long-term cash flows on which our valuation is based already assume that Aveo achieves its targets.<sup>41</sup>

<sup>35</sup> Refer to Section 7.2 of this report.

<sup>36</sup> Refer to Section 7.11 of this report.

<sup>37</sup> As at 30 June 2019, book value of Non-Retirement was \$81.4 million. Expected to be mostly sold in FY20.

<sup>38</sup> Refer to Section 7.10.4 of this report.

<sup>39</sup> In particular, the Group loan to value ratio at 30 June 2019 was 27.0% compared to a covenant level of no more than 30%, FY19 interest cover was 2.6 times compared with a covenant level of at least 1.5 times and Aveo Healthcare's gearing ratio was at the maximum covenant level of 30%.

<sup>40</sup> Refer to Section 7.2 of this report.

<sup>41</sup> These targets are set out in Section 7.2 of this report.

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### ***No superior alternative proposal has been received***

Aveo has undertaken an extensive global sale process as part of the Strategic Review<sup>42</sup> that was competitive and public. Aveo and its advisers initially approached a large number of parties in Australia and internationally who may be interested in an acquisition of 100% of Aveo's equity or all or a portion of Aveo's assets. Aveo received a number of indicative, non-binding proposals from parties interested in a whole of company transaction. Ultimately, only two parties progressed to the final stage of the sale process and Aveo received the only binding offer from Brookfield.

No bidders were interested in an acquiring all of Aveo's assets. An acquisition of assets is less attractive than a whole of company transaction since:

- it would result in a loss of Aveo's substantial tax losses<sup>43</sup> for the acquirer, and
- there would be 'fee leakage' to the extent that a substantial cost base is required to operate Retirement assets.

Following the announcement on 4 July 2019 that Brookfield was the preferred acquirer, and the announcement on 6 August 2019 as to the indicative consideration (\$2.195 per Aveo Security inclusive of the FY19 distribution), there have been few impediments to a counter proposal. Further, it appears unlikely that there is any party that could potentially have been interested in Aveo that has not become aware that Aveo is in play.

Under the Scheme Implementation Deed, Aveo is restricted from either soliciting or entering into discussions with third parties in relation to alternative proposals (other than the director fiduciary duty carve out). Aveo is also required to notify Brookfield should it become aware of any possible alternative proposal and Brookfield has a last right to match a competing proposal. Further, under certain circumstances Aveo would be required to pay a reimbursement fee of \$13 million (excluding GST) to Brookfield. It is unlikely that a reimbursement fee of this magnitude would prevent an alternative transaction.

Although the likelihood of a superior alternative proposal is impacted by these terms, it does not preclude an alternative proposal from being made. We note that the Directors of Aveo would be required under their fiduciary duties to consider the merits of an alternative proposal should it arise.

There will continue to be opportunity for interested parties to put forward a superior proposal to the Transaction until the Scheme Meeting. However, we are not aware of an alternative proposal as at the date of this report.

Other potential deterrents for an alternative bidder include:

- Mulpha Group's 24.38% interest in Aveo, which could represent a blocking stake, and
- potential difficulty in obtaining funding for RC assets.

Another potential alternative is the sale of assets on an individual RC basis. In this regard, we note that Aveo has also sought to divest certain assets (i.e. the US Seniors, Currumbin land site, Albion residential apartment site and smaller or regional RCs) as announced at the 2018 Annual General Meeting.<sup>44</sup> As at the date of this report, no sales have occurred.

<sup>42</sup> Refer to Section 4.1 of this report

<sup>43</sup> As at 30 June 2019, Aveo had \$1,266.3 million of recognised losses and \$265.9 million of unrecognised losses. Refer to Section 7.9 of this report. It is expected that an acquirer of 100% of Aveo would retain tax losses if it passed the 'same business test.'

<sup>44</sup> Refer to Section 7.3 of this report.





***Aveo's security price will likely fall in the absence of the Transaction***

The Transaction offers Aveo Securityholders an opportunity to exit their investment in Aveo at a price that is certain and which incorporates a premium for control. In the absence of the Transaction or a similar transaction, Aveo Securityholders could only realise their investment by selling on market at a price that does not include a premium for control and would incur transaction costs (e.g. brokerage).

There is no certainty as to the price at which Aveo Securityholders would be able to realise their investment in the future, particularly as Aveo's security price may continue to reflect negative press surrounding Aveo and the retirement industry, the ACCC review and the class action.<sup>45</sup>

The current Aveo Security price reflects the terms of the Transaction and since 13 February 2019 likely also reflects the potential for a change of control transaction<sup>46</sup> and, therefore, includes a control premium. As such, in the absence of the Transaction, an alternative proposal or speculation concerning an alternative proposal, the Aveo Security price is likely to fall from current levels to levels consistent with trading prices prior to 13 February 2019 and after the 14 November 2018 announcement that Aveo would not be confirming FY19 guidance of 20.4 cents, and potentially lower as a result of the deterioration of industry conditions and Aveo's financial performance. In this regard:

- from 14 November 2018 until the 12 February 2019, the Aveo Security price traded between \$1.50 and \$1.88. Since then:
  - residential property prices declined further and a reform for mandatory sale or buyback periods was announced by NSW Minister on 14 February 2019<sup>47</sup>
  - Aveo's financial performance has deteriorated. Aveo announced its 1H19 on 13 February 2019 and FY19 financial results on 28 August 2019. Underlying EBITDA declined by 58.2%<sup>48</sup> in FY19 relative to FY18. The security price decreased by 5.3% following management's warning on 24 June 2019 that its FY19 financial results would be adversely affected by the downturn in the residential property market and that underlying profit for FY19 was estimated at \$50 million. The book value of Aveo's Established Business portfolio (units sold or leased) declined by 9.8%,<sup>49</sup> borrowings have increased by almost \$100 million to \$787.5 million, certain financial ratios are approaching covenants<sup>50</sup> and NTA per Aveo Security has declined from \$3.92 to \$3.50,<sup>51</sup> however
  - the S&P/ASX 200 Index and share prices for Eureka Group Holdings Limited (**Eureka**) and Lifestyle Communities Limited (**Lifestyle**), the most comparable 'pure play' listed companies, have remained flat or increased<sup>52</sup>
- the short-term earnings outlook for Aveo is uncertain. While Aveo has not publicly released earnings guidance for FY20 and beyond, its FY19 results illustrate the challenging trading conditions that it faces. Based on broker forecasts for Aveo for FY20,<sup>53</sup> there is little expectation that these conditions

<sup>45</sup> Refer to Section 7.15 of this report.

<sup>46</sup> On 13 February 2019, Aveo announced that it had received a number of indicative, non-binding bids from parties interested in a whole of company transaction as part of the Strategic Review.

<sup>47</sup> Refer to Section 6.6.3 of this report.

<sup>48</sup> Refer to Section 7.9 of this report.

<sup>49</sup> Refer to Section 7.10.1 of this report.

<sup>50</sup> Refer to Section 7.10.4 of this report.

<sup>51</sup> Refer to Section 7.10 of this report.

<sup>52</sup> From 13 February 2019 to 23 September 2019

<sup>53</sup> Refer to Section 7.12 of this report.

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will improve materially in the short-term. As a result, Aveo is unlikely to pay a substantial distribution in the near term, and

- it may be necessary to undertake a capital raising, potentially at a substantial discount to the prevailing security price, effectively diluting its security price further.

#### ***The Aveo Security price may increase in the long-term***

Aveo Securityholders could reject the Schemes in the expectation that Aveo's security price will recover in the long-term. In this regard:

- independent forecasts indicate that residential property prices are expected to recover from FY21. However, as discussed above, there are a number of risks facing Aveo's business and it may be challenging to reduce excess working capital levels in the next one to two years
- the DMF/CG model and Aveo Way suite of contracts increase risk (and potential return) for Aveo over the short to medium-term
- Aveo's reputation has been adversely impacted over the last approximately two years. It is not clear as to the ongoing impact of these factors in relation to future settlements and security price
- the ability to execute on Aveo's long-term strategy is contingent on having sufficient funding to undertake developments and further integrate care into its operations, and
- even if Aveo pushes through the current downturn, any future cyclical downturn is likely to have a greater working capital demand as Aveo increases the share of residents on the Aveo Way suite of contracts and, potentially, as a result of additional statutory buyback provisions.

### **3.4 Other considerations**

In forming our opinion, we have also considered a number of other factors, as detailed below. While these factors do not impact on our opinion, we consider it appropriate for Aveo Securityholders to consider these factors in assessing the Schemes.

#### ***Transaction costs associated with the Scheme***

Aveo management has estimated that Aveo will incur costs in relation to the Transaction of approximately \$3.4 million (plus GST, excluding any reimbursement fee) in the event the Schemes do not proceed and \$7.9 million (plus GST) if the Schemes proceed. One-off transaction costs associated with the Schemes primarily relate to adviser, legal and expert fees.

#### ***The Schemes are subject to the satisfaction of a number of conditions***

There are a number of conditions which, if not satisfied, will result in the Schemes not being implemented, including no material adverse changes (including a reduction in net assets of 2% or more or a reduction in underlying EBITDA in the FY20 forecast by more than \$10 million).<sup>54</sup> If the Schemes are not approved, Aveo Securityholders will continue to hold their existing Aveo Securities.

#### ***Taxation implications for Aveo Securityholders***

Section 12 of the Scheme Booklet sets out a general description of the tax consequences for Aveo Securityholders who hold their Aveo Securities on capital account. If the Schemes are implemented, those Australian resident Aveo Securityholders who receive the Cash Consideration will be deemed to have disposed of their Aveo Securities and the disposal will constitute a capital gains tax event. Aveo

<sup>54</sup> Refer to Section 4.3 of this report.



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Securityholders will make a capital gain or loss depending on the cost base of their Aveo Securities. The capital proceeds should not include the FY19 distribution of 4.5 cents.

CGT rollover relief will not be available to Aveo Securityholders who elect to receive the Scrip Consideration.

Foreign residents may be subject to capital gains withholding tax of 12.5% of the capital proceeds (\$2.15 per Aveo Security). Refer to Section 12.4 of the Scheme Booklet.

We note that Aveo Securityholders should consider their individual circumstances, review Section 12 of the Scheme Booklet for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

***Aveo's Directors have indicated they will vote in favour of the Schemes***

The Aveo Directors intend to vote any Aveo Securities held by them in favour of the Schemes, subject to:

- the absence of a superior proposal
- the independent expert concluding (and continuing to conclude) that the Schemes are in the best interest of Aveo Securityholders, and
- Mr Seng Huang Lee and Mr Eric Lee, who are nominee directors of Mulpha Group on the Aveo Board, make no representation as to the voting intentions of Mulpha Group, however, they intend to recommend and support a decision that Mulpha Group vote in favour of the Schemes. As at the date of this report, they have informed the Aveo Board that they have not yet made a decision on whether they will recommend that Mulpha elect to receive Cash Consideration or Scrip Consideration, as they consider it appropriate to discuss this with Mulpha once it has received a copy of the Scheme Booklet.<sup>55</sup>

### **3.5 Consequences if the Schemes do not proceed**

In the event that the Schemes are not approved or any conditions precedent prevent the Schemes from being implemented, Aveo will continue to operate in its current form and remain listed on the ASX. As a consequence:

- Aveo Securityholders will not receive the Cash Consideration and the implications of the Schemes, as summarised above, will not occur, other than with respect to the one-off transaction costs incurred, or committed to, prior to the Scheme Meeting. Aveo would not be liable to pay a reimbursement fee
- Aveo will continue to operate as a stand-alone entity. Aveo Securityholders will continue to be exposed to the significant risks associated with an investment in Aveo as discussed previously
- in the absence of a superior alternative proposal, Aveo's security price will likely fall, for the reasons set out previously
- Aveo will be required to refinance most of its borrowings within the next two years, likely at higher margin. It may be necessary, depending on cash flow needs and any refinancing terms, to undertake a potentially dilutive capital raising, and
- Aveo Securityholders are unlikely to receive substantial distributions in the near term as Aveo works through challenging industry conditions and sells down excess stock.

<sup>55</sup> Refer to Section 3.2 of the Scheme Booklet.

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### 3.6 Other matters

In forming our opinion, we have considered the interests of Aveo Securityholders as a whole. This advice, therefore, does not consider the financial situation, objectives or needs of individual Aveo Securityholders. It is not practical or possible to assess the implications of the Schemes on individual Aveo Securityholders as their financial circumstances are not known.

The decision of Aveo Securityholders as to whether or not to approve the Schemes is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Aveo Securityholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Aveo Securityholders seek their own independent professional advice.

Our report has been prepared in accordance with the relevant provisions of the Corporations Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Aveo Securityholders in considering the Schemes. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our report should not be construed to represent a recommendation as to whether or not Aveo Securityholders should accept or reject the Transaction.

Neither the whole nor any part of our report or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme Booklet to be sent to Aveo Securityholders in relation to the Schemes, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of our report in the form and context in which it appears in the Scheme Booklet.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to an Australian financial year (i.e. the 12 months to 30 June) have been abbreviated to FY.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 5.3 of our report.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Bill Allen  
Authorised Representative

Ian Jedlin  
Authorised Representative

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## 4 The Transaction

### 4.1 Strategic Review

Negative public perceptions of Aveo and the retirement industry which commenced in June 2017<sup>56</sup> and a downturn in the national residential housing market which commenced in late 2017/early 2018<sup>57</sup> negatively impacted Aveo's security price, settlement rates and unit pricing. By mid-August 2018, Aveo Securities were trading at a 44% discount to 30 June 2018 NTA per Aveo Security of \$3.92.

On 15 August 2018, Aveo announced a Strategic Review of Retirement with a stated focus on closing the gap between the price of its listed securities and the underlying value of its retirement properties. On 29 August 2018, Aveo announced that it had appointed Merrill Lynch Markets (Australia) Pty Limited as its financial advisor on the Strategic Review.

A number of initiatives were considered, including divesting the US Seniors portfolio, the Currumbin land site, Albion residential apartment development site and other small RCs, as well as considering future development considerations for the portfolio. It also included the possibility of the introduction of capital partners (Australian or overseas) into Retirement.

In November 2018, Aveo announced that it had received inquiries from a significant number of parties, mostly from Asia, North America and Australia interested in transactions with Aveo either as a whole or for a partnership at an asset level. An IBC was established by the Aveo Board to consider and respond to interested parties.

Following the distribution of an initial marketing document in late October 2018, Aveo management undertook a roadshow for interested parties throughout Asia and Australia, which further generated strong interest. Aveo undertook a three-stage process:

- **Stage 1:** an information memorandum and data room were opened from November 2018. In January 2019, a number of indicative non-binding bids were received from parties interested in a whole of company transaction
- **Stage 2:** a select number of preferred parties were invited to participate in Stage 2 from February 2019. Stage 2 involved undertaking confirmatory due diligence and finalising proposals, and
- **Stage 3:** a third and final stage commenced with two parties in April 2019.

Following a period of due diligence, Aveo announced on 4 July 2019 that the preferred party was Brookfield Group.

### 4.2 Details of the Schemes

On 14 August 2019, the IBC announced that Aveo had entered into a Scheme Implementation Deed with BidCo and TopCo, entities controlled by Brookfield Group, under which BidCo will acquire 100% of Aveo Securities by way of the Trust Scheme and AGL Scheme.

Under the terms of the Schemes, Aveo Securityholders have the option to receive consideration for each Aveo Security of:

- **Cash Consideration:** \$2.15 cash. The Cash Consideration is in addition to the FY19 distribution of 4.5 cents per Aveo Security announced on 24 June 2019, or

<sup>56</sup> Refer to Section 7.3 of this report.

<sup>57</sup> Refer to Section 6 of this report.

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- **Scrip Consideration:** 2.15 units in AOG L.P. B1 Units, a Bermudan Limited Partnership that would hold Class B1 shares in an Australian holding company, TopCo, which will own 100% of BidCo. Receipt of the Scrip Consideration is subject to certain limitations, including:
  - Ineligible Foreign Securityholders<sup>58</sup> will not receive the Scrip Consideration even if they make such an election. Ineligible Foreign Securityholders will receive the Cash Consideration
  - Eligible Aveo Securityholders<sup>59</sup> must make an election to receive the Scrip Consideration in respect to all of their Aveo Securities
  - Eligible Aveo Securityholders holding, in aggregate, at least 10% of Aveo Securities must make valid elections to receive the Scrip Consideration. If eligible securityholders holding, in aggregate, less than 10% of Aveo Securities make valid elections to receive the Scrip Consideration, all Aveo Securityholders will receive the Cash Consideration, and
  - if valid elections to receive the Scrip Consideration are received in respect of more than 160,623,080 Aveo Securities, each eligible shareholder electing the Scrip Consideration will be scaled back on a pro rata basis such that Brookfield Group will hold an equity interest in TopCo securities of no less than 70% and Aveo Securities would hold no more than 30%.

Aveo operates various incentive plans for senior management (refer to Section 7.14 of this report). Under Clause 5.4 of the Scheme Implementation Deed, Aveo is permitted to issue or transfer no more than 2,400,188 Aveo Securities in respect to entitlements on issue such that the total number of Aveo Securities on the Implementation Date does not exceed 580,737,672.

In accordance with the plans, the IBC has exercised its discretion and determined that all outstanding Aveo Incentives<sup>60</sup> will vest as a result of the Transaction. As a result, Aveo intends to convert, issue or transfer 1,982,739 Aveo Securities and cash settle the other 2,883,465 Aveo Securities (for an amount equal to the Cash Consideration).<sup>61</sup>

Based on the Cash Consideration, the full Aveo Board unanimously recommends that Aveo Securityholders vote in favour of the Schemes in the absence of a superior proposal, subject to an independent expert concluding (and continuing to conclude) that the Schemes are in the best interests of Aveo Securityholders. The Aveo Board makes no recommendation in relation to the Scrip Consideration due to the speculative nature of the AOG L.P. Units and the fact that their appropriateness will depend significantly on the characteristics and risk profile of individual securityholders.

The Aveo Directors intend to vote any Aveo Securities held by them in favour of the Schemes, subject to:

- the absence of a superior proposal
- the independent expert concluding (and continuing to conclude) that the Schemes are in the best interest of Aveo Securityholders, and

<sup>58</sup> An Aveo Securityholder whose address in the Aveo Securities Register as at the Scheme Record Date is a place outside Australia, New Zealand, Malaysia, British Virgin Islands or Bermuda unless BidCo and Aveo agree in writing that it is lawful and not unduly onerous or impractical to issue AOG L.P. B1 Units to that Scheme Securityholder if the Scheme Securityholder so elects under the Schemes.

<sup>59</sup> An Aveo Securityholder (other than an Ineligible Foreign Securityholder).

<sup>60</sup> Outstanding Aveo Incentives as at the date of the Scheme Meeting will comprise 1,266,204 performance rights issued under the long-term incentive plan and 1,800,000 growth rights issued under the long-term incentive plan (each of which converts to up to two Aveo Securities). The 417,449 short-term incentive deferred securities will vest in the ordinary course prior to the Scheme Meetings.

<sup>61</sup> Noting that the cash settlement payments for 925,867 Aveo Securities (\$1,990,612) will be made six months after the Schemes have been implemented.

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- Mr. Seng Huang Lee and Mr. Eric Lee, who are nominee directors of Mulpha Group on the Aveo Board, make no representation as to the voting intentions of Mulpha Group, however, they intend to recommend and support a decision that Mulpha Group vote in favour of the Schemes. As at the date of this report, they have informed the Aveo Board that they have not yet made a decision on whether they will recommend that Mulpha elect to receive Cash Consideration or Scrip Consideration, as they consider it appropriate to discuss this with Mulpha once it has received a copy of the Scheme Booklet.

### 4.3 Conditions of the Schemes

Completion of the Schemes is subject to a number of conditions precedent as set out in the Scheme Implementation Deed, including:

- Foreign Investment Review Board (**FIRB**) approval
- ASIC relief in relation to the Trust Scheme
- Aveo Securityholder approval of the Schemes by the requisite majorities<sup>62</sup>
- Court<sup>63</sup> approval of the AGL Scheme
- an independent expert concluding that the Schemes are in the best interests of Aveo Securityholders
- other customary conditions, including ‘no material adverse change’, ‘no prescribed occurrence’, ‘no restraints’, ‘no regulated events’ and various representations and warranties. A material adverse change includes a reduction in net assets of 2% or more or a reduction in underlying EBITDA in the FY20 forecast by more than \$10 million
- the Restructure Steps<sup>64</sup> are completed prior to the Second Court Date, and
- determination of the first ‘Period’ by Aveo Group Trust.

Further details on the conditions precedent are contained in Section 7.5 of the Scheme Booklet and Clause 4.1 of the Scheme Implementation Deed.

The Scheme Implementation Deed also contains certain exclusivity provisions that apply during the Exclusivity Period<sup>65</sup> including ‘no shop’ and ‘no talk’ restrictions, a notification obligation and a matching right, subject (in the case of the ‘no talk’) to the Directors’ fiduciary obligations. A reimbursement fee of \$13 million (excluding GST) is payable to Brookfield in certain circumstances. Further details of the exclusivity provisions and reimbursement fee are contained in Section 14.1 of the Scheme Booklet and Clauses 12 and 13 of the Scheme Implementation Deed.

<sup>62</sup> For the Scheme Resolution to be approved: a majority in number (more than 50%) of Aveo Securityholders present and voting and at least 75% of the total number of votes cast at the Scheme Meeting. For the Trust Scheme Resolutions to be approved: the Trust Constitution Amendment Resolution must be passed by at least 75% of total number of votes cast and the Trust Acquisition Resolution must be passed by more than 50% of the total number of votes cast.

<sup>63</sup> The NSW Supreme Court or such other court of competent jurisdiction under the Corporations Act agreed to in writing by BidCo and Aveo.

<sup>64</sup> Steps in respect of Aveo Group Trust and its subsidiaries and Retirement Villages Australia Pty Ltd and its subsidiaries in order to ensure that certain inter-entity balances are capitalised, repaid or forgiven. Refer to Definitions and interpretation in Scheme Implementation Deed.

<sup>65</sup> The period commencing on 14 August 2019 and ending on the earlier of the implementation of the Schemes, the date on which the Scheme Implementation Deed is terminated or 14 February 2020 (or such later date as agreed in writing between the parties).

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Aveo Securityholders should also be aware that the Scheme Implementation Deed may be terminated in certain circumstances if the Schemes do not become effective by 14 February 2020 or such later date as agreed in writing between the parties, as detailed in Section 14.1 of the Scheme Booklet and Clause 14 of the Scheme Implementation Deed.

If the Scheme Implementation Deed is terminated or the conditions are not satisfied or waived, the Schemes will not proceed.

#### **4.4 Transaction costs**

If the Schemes are not implemented, transaction costs of approximately \$3.4 million (exclusive of GST and assuming no reimbursement fee is payable by Aveo) are expected to be incurred by Aveo. If the Schemes are implemented, transaction cost of approximately \$7.9 million (exclusive of GST) are expected to be incurred by Aveo.

### **5 Scope of Report**

#### **5.1 Purpose**

The Transaction is to be implemented by a scheme of arrangement under Section 411 of the Corporations Act in respect of AGL and a trust scheme in respect of Aveo Group Trust. Although there is no technical requirement for an independent expert report to be prepared in relation to the Schemes, it is a condition precedent to the Schemes, as set out in Clause 4.1(d) of the Scheme Implementation Deed.

In relation to a trust scheme there is no specific statutory framework for a scheme of arrangement between trusts and their members. As such, the Takeovers Panel has issued Guidance Note 15 outlining the recommended procedures for a trust scheme. This Guidance Note suggests that the notice of meeting and explanatory memorandum for a trust scheme should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable and therefore, consistent with determining whether it is in the best interests of the members. Although the Transaction involves a company scheme and trust scheme, a single opinion has been provided.

We have also had regard to the guidance provided by ASIC in its Regulatory Guides and in particular RG111 "Contents of expert reports", which outlines the principles and matters which it expects a person preparing an independent expert report to consider when providing an opinion.

#### **5.2 Basis of assessment**

RG 111 distinguishes between the analysis required for control transactions and other transactions. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid even though the wording of the opinion will also be whether the proposed scheme is 'in the best interests of the members of the company'. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value.

In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison

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- an offer is 'reasonable' if it is 'fair'.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company.

In the circumstance of a 'not fair but reasonable' outcome, RG 111.21 states that the expert can also conclude that the scheme is 'in the best interests' on the basis that it clearly states that the consideration is less than the value of the securities subject to the scheme but that there are sufficient reasons for members to vote in favour of the scheme in the absence of a higher offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis).

In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer. Accordingly, when assessing the full underlying value of Aveo we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Aveo. As such, we have not included the value of special benefits that may be unique to the bidder. Accordingly, our valuation of Aveo has been determined without regard to the specific bidder, and any special benefits have been considered separately.

Under the Schemes, Aveo Securityholders will receive Cash Consideration unless they elect to receive the Scrip Consideration. Aveo Securityholders who elect the Scrip Consideration will be entitled to receive units in AOG L.P., a Bermudan Limited Partnership which will hold Class B securities in an Australian holding company, TopCo, the holding company of BidCo. As the Cash Consideration is the default option, if the Cash Consideration is considered to be fair, it is not necessary for KPMG Corporate Finance to form an opinion on whether the Schemes are fair based on the likely realisable value of an AOG L.P. B1 Unit.

Reasonableness involves an analysis of other factors that securityholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity of the market in the target's securities
- tax losses, cash flow or other benefits through achieving 100% ownership of the target
- any special value of the target to the bidder
- the likely market price of the target's securities in the absence of the offer and any other consequences of not accepting the offer
- the likelihood of an alternative offer being made, and
- any other advantages, disadvantages and risks associated with accepting the offer.

In forming our opinion, we have considered the interests of Aveo Securityholders as a whole. As an individual Aveo Securityholder's decision to vote for or against the resolutions may be influenced by their individual circumstances, we recommend they each consult their own financial advisor.

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### 5.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Aveo for the purposes of this report.

Furthermore, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Aveo's management in relation to the nature of the business operations, specific risks and opportunities, historical results and prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Aveo has been responsible for ensuring that information provided by them or their representatives is not false, misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included the following forward-looking financial information:

- FY20 budget for Aveo (**FY20 Budget**)
- Aveo group model (**Group Model**)
- outputs from the DMF models for Aveo for the period from 1 July 2019 to 30 June 2084 (collectively called **DMF Model**), and
- outputs from the development models for Aveo for the period from 1 July 2019 to 30 June 2031 (collectively called **Development Model**).

KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report and Aveo remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information or tested the mathematical integrity of the models.

KPMG Corporate Finance has undertaken various enquiries in relation to the DMF Model, Development Model and Group Model, including holding discussions with management in regard to the commercial assumptions underlying these models. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. regulatory, contractual). KPMG Corporate Finance is of the view that the forward-looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment, we have taken into account the following:

- the DMF Model and Development Model are used by management in their day-to-day operations
- the DMF Model and Development Model are updated periodically based on actual results, property valuations and changes in outlook

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- the DMF Model forms the basis for the Directors' valuations of the Established Business portfolio as reflected in the balance sheet of Aveo
- the Development Model is utilised to cross-check to the book value (on a cost basis) of Major Development properties under construction
- the Development Model forms the basis for forecasts of development profits in the FY20 Budget. The FY20 Budget is approved by the Board
- the DMF Model and Development Model form the basis for forecasts provided to banks for funding purposes
- the Group Model, which aggregates revenue assumptions from the DMF Model and incorporates other line items (e.g. expenses, refurbishment costs) was prepared in November 2018 and updated in April 2019 by the management of Aveo in conjunction with their advisors for the purposes of the Strategic Review. This model was updated by KPMG Corporate Finance based on the FY19 actual results, updated outputs from the DMF Model (updated for the 30 June 2019 property portfolio valuation) and Development Model and discussions with Aveo management. KPMG Corporate Finance has no reason to believe that there is any bias, either positive or negative
- the DMF Model and Group Model have been independently reviewed (via a line-by-line review of the Model, together with an analytical review and other procedures designed to test the Model's logical integrity) by a third party
- certain revenue assumptions (DMF percentage fees and the allocation of CG between Aveo and residents) are based on existing long-term contracts with residents and assumed adoption rates associated with new contractual offerings
- KPMG Corporate Finance has formed its own view on forecast property price growth rates based on various sources, including growth rates utilised by comparable listed RC operators in estimating the book value of their RC assets as at 30 June 2019, BIS Oxford Economics forecasts for FY20 to FY22 by State, growth rates for ILUs, SAs and FAC SAs utilised by Aveo management in calculating the book value of the Established Business portfolio at 30 June 2019 and our internal analysis
- resident tenure assumptions are based on Aveo's historical experience
- refurbishment costs are consistent with Aveo's historical experience, and
- pricing of community services is regulated and Aveo operates most of these services on a 'break-even' basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

#### 5.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Aveo has requested KPMG Corporate Finance limit the disclosure of certain information relating to Aveo. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the

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operating entities comprising Aveo. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by Aveo.

## 6 Industry

### 6.1 Overview

Aveo's principal activities comprise owning, operating and developing portfolios of residential retirement properties in dedicated RCs, some of which are co-located with residential aged care facilities (**RACFs**). RCs are considered to be sub-segments of the real estate and healthcare industry as they are involved in the operating and development of residential properties (i.e. land lease communities or RCs), as well as providing healthcare services (e.g. aged care) to residents. In 2018, the Australian retirement industry generated approximately \$5 billion in revenue with over 2,600 RCs across Australia.<sup>66</sup> The largest RC operators in Australia include Aveo, Stockland Corporation Limited (**Stockland**) and Lendlease Group (**Lendlease**), each of which operate over 10,000 RC units. Ryman Healthcare Limited (**Ryman**) also operates over 10,000 RC units, however, it has a larger focus in New Zealand (although it plans to expand its operations in the Australian market).

Revenue generated by RCs is underpinned by property growth rates and residents' tenure whereby the higher the turnover, the more revenue that is generated (assuming DMF caps have been achieved). Tenure may be impacted by the age of residents, level of care required, age and quality of the RC and residents' financial and family situations. Based on the 2018 Retirement Living Census lead by the Property Council of Australia, the average tenure of past residents at RCs is between 8 to 9 years across Australia (compared to the average of 7 years in 2015).

According to the results of the census, the number of RCs aged less than 15 years is double that of the RCs aged over 15 years, compared to the average of 23 years in 2015. Relatively newer RCs typically offer a wider range of community facilities and services, and so are more attractive to potential residents. Furthermore, the level of care required by residents may determine the rate at which they move to accommodation that provides a higher level of care. The average age of residents entering RCs and the average age of current residents have remained largely unchanged at 74 to 75 years, and 81 years, respectively.<sup>67</sup>

Historically, RCs have not been able to maximise their yield due to their niche target market, longer lead time to settlement compared to residential developments and longer term return on investment. The return on a RC developer's capital occurs initially post development when sold and when there is a turnover of an RC resident (i.e. when one resident moves out of the RC and another moves in with a new contract).

### 6.2 Types of senior housing accommodation

A RC is a residential, multi-dwelling complex specifically designed for individuals or couples typically aged 55 and above who are not in need of regular medical assistance. The decision to enter a RC is typically lifestyle driven, for example downsizing from a family home to a lower maintenance home, or related to health and security requirements. The accommodation types and care services offered by RCs vary depending on their target markets and proximity to major urban districts. RCs offer single-level low and mid-rise residential units in the form of:

- **independent living units (ILUs):** designed for residents (couples and singles) who are independent, self-sufficient, and enjoy the security and benefits of living in a community, and

<sup>66</sup> Retirement villages in Australia, IBISWorld, June 2019, page 26

<sup>67</sup> 2018 PwC/Property Council Retirement Census, November 2018, page 1

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- **serviced apartments (SAs):** designed for residents who require some form of care and assistance but wish to maintain an independent lifestyle where possible.

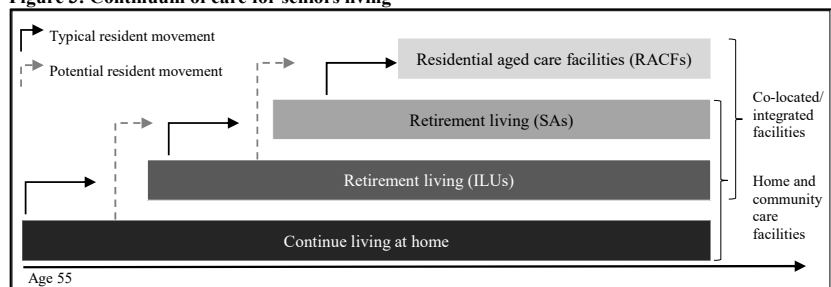
RCs typically offer a range of community care facilities such as health (e.g. medical facilities for visiting doctors or allied health professionals), leisure (e.g. community halls, bowling greens, heated pools) and support services.

RCs are distinguished from RACFs, which provide both accommodation and nursing care to the elderly at a cost, depending on the level of dependency and type of care and support required by the resident. The decision to enter a RACF is commonly not lifestyle driven; rather it is driven by care needs resulting from reduced mobility, disability, chronic illness, or inability of family to provide the required level of care.

Revenue generated from RCs is privately funded by residents, who are usually required to pay a lump sum at entry with the lump sum plus the agreed share of CG less DMF refunded on departure, as well as ongoing fees. Revenue generated from community care facilities and RACFs differ to RCs. It is sourced both from the Commonwealth Government through grants and subsidies, subject to the level of care provided and more frequently by incoming residents who pay either (i) Refundable Accommodation Deposit (RAD) from which costs are deducted; or (ii) a Daily Accommodation Payments (DAPs) or both.

The following figure sets out the continuum of care for seniors living and typical movements between seniors housing accommodations.

**Figure 3: Continuum of care for seniors living**



Source: *Continuum of care for seniors living, Graham Hand, Cuffelinks, July 2016*

As more communities are developed to accommodate for Australia’s ageing population, more types of accommodation are provided by RC operators to cater for different levels of need and care. Aveo offers a ‘hybrid’ accommodation type, known as FAC, which is a product offering that sits between SAs and RACFs. FAC is primarily offered to individuals or couples who require a high level of daily personal assistance and ongoing care, with a long-term lease to occupy the applicable dwelling. Similar to RC units, FAC’s are regulated and priced as per RCs.

### 6.3 Ownership models

#### 6.3.1 Loan and lease models

RCs operate under various business and revenue models. The most common business model is the loan or lease model which is adopted by operators (e.g. Aveo, Stockland, Lendlease, Lifestyle, Aspen Group (Aspen) and Eureka) that make up approximately 60%<sup>68</sup> of the RCs across Australia. The predominant contract features and payment types offered by RC operators under this model are summarised as follows.

<sup>68</sup> 2018 PwC/Property Council Retirement Census, November 2018, page 2

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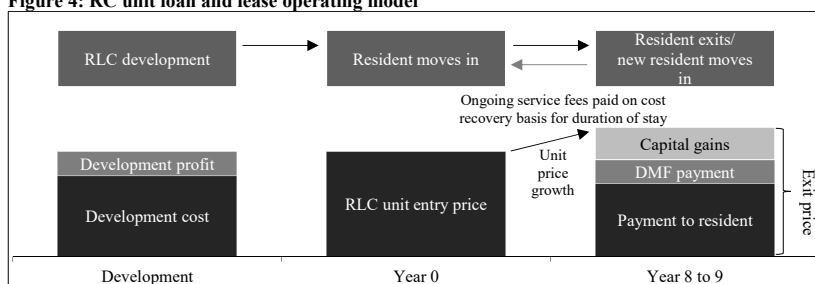


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- **operator:** the owner of the underlying land of a RC manages the common facilities on-site and leases the individual sites to the residents on a long-term basis
- **resident:** the resident pays the operator for ownership of the ILU or SA during the contract period and is entitled to access to the community facilities
- **entry price:** upon taking up residency in a RC, residents typically make an entry payment equivalent to the market value of the ILU or SA. The entry price varies based on factors including age of the unit, quality of the unit, location and facilities offered in the RC
- **ongoing costs:** regular service fees may be charged for the use and maintenance of shared facilities within the RC complex and will vary depending on the extent and age of communal facilities, as well as the services provided on site
- **deferred management fee ('DMF'):** during the term of residency, a DMF is offset against the resident's exit payment and the RC operator recognises the DMF at an agreed amount per annum (as specified in the initial contract), usually capped at a certain percentage of the entry or exit price. The DMF is either paid to the operator when the resident vacates the RC or when the dwelling is resold to a new resident, subject to the contract terms
- **capital gains ('CG'):** the operator and resident agree the allocation of any CG that arise on the accommodation unit upon vacation and sale, in the initial contract. The share of CG to which the resident is entitled affects the exit payment, and
- **exit payment:** upon resale of the unit, the exit payment is made to the resident per the terms of the contract. In calculating the exit payment, the resale value of the unit, share of CG and DMF paid to the RC operator, which is underpinned by tenure, are taken into consideration.

The following figure illustrates how the above fees and prices are incurred for a RC unit over a tenure of 10 years for a typical loan and lease arrangement.

**Figure 4: RC unit loan and lease operating model**



Source: KPMG Corporate Finance analysis

### 6.3.2 Variation of loan and lease ownership models

RCs can offer two principal variations of the loan and lease model to residents, principally in the form of leasehold or freehold ownership, and these contractual arrangements are commonly distinguished by the resident's tenure and costs associated with moving into, living in, and leaving the RC. Further details regarding the common variation of ownership are as follows.

- **leasehold or licence agreement:** a long-term or lifetime leasehold or licence agreement grants the resident entitlement to occupy the unit for the duration of the agreement with the RC operator being the owner and stamp duty payment is not required. The primary difference between the two

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agreements is that leasehold agreements register the resident's lease on the title whilst licence agreements do not, and

- **freehold or strata title:** for a freehold agreement, the resident buys the unit on a strata title and owns the dwelling having paid stamp duty, as with a standard residential property.

Both the leasehold and licence ownership model and freehold or strata title model are adopted by the major Australian RC operators, principally as a result of those operators acquiring smaller or stand-alone operators which historically may have operated under either one of the ownership variations. In many cases, by necessity, the ownership models at those RCs have remained, notwithstanding the ownership models in operation in the remainder of the RC portfolio of the acquirer may be different.

The predominant contract features and payment types offered by RC operators under the loan or lease model also apply to leasehold, licence agreement, freehold and strata title ownership structures.

Other types of ownership that are less common in the Australian RC market include company title, unit trust and periodic tenancy arrangements.

#### 6.4 Competition

The current RC market is fragmented with the three largest companies (Aveo, Stockland and Lendlease) expected to account for under 10% of industry revenue in FY19, and multiple players being owner-operators of single RCs.<sup>69</sup> For-profit operators account for approximately 83% of the market and non-for-profit operators account for the remaining 17%.<sup>70</sup> Competition within the market, especially for new residents, is generally localised reflecting the desire of new residents to seek RCs near their existing homes and driving RC operator's site selection process.

As a result of positive demand, the number of RCs has increased in the past five years from approximately 2,000 in 2013 to 2,700 in 2018.<sup>71</sup> Market commentators expect the number of RC to further increase over the next five years as the larger players continually seek to meet the forecast demand through acquisitions and new developments. Many existing smaller RC operators are expected to be absorbed by larger players as part of their expansion strategies, whilst the barriers to entry for new participants are expected to further increase as the market consolidates allowing large RC operators to expand their service and facility offerings (e.g. incorporating RACF's into existing RC's or offering 'In-Home Care' for ILU residents) at more competitive prices.

However, projected demand and profitability needs to be viewed against the current backdrop of a slowdown in the Australian housing market and declining valuations. Falling or flat house price movements in many Australian cities over the past few years have softened demand in RC's as retiree's are remaining in their existing homes for longer (as they wait for prices to rise), impacting resales and settlements at RC's. For Aveo and other listed operators, this scenario has impacted reported earnings, carrying values of retirement assets have been reduced and share prices have declined or remained relatively flat over the past 18 months. Resale volumes at RCs have declined and corresponding levels of DMF and CG (both paid on exit) generated from resales have reduced as both demand and resale prices fall below budgeted levels. The impacts of increased regulation and oversight (discussed in Section 6.5) on profitability is also difficult to quantify, needless to say these measures place further pressure on the financial performance and valuations of operators. All these factors impact the future investment decisions the larger operators must make if they are considering increasing their participation in the Australian RC market, either through acquisition or development of new RCs.

<sup>69</sup> Retirement villages in Australia, IBISWorld, June 2019, page 16

<sup>70</sup> 2018 PwC/Property Council Retirement Census, November 2018, page 1

<sup>71</sup> Retirement villages in Australia, IBISWorld, June 2019, page 26

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The barriers to entry in the retirement industry are relatively high given the significant upfront construction costs and the scarcity and cost of land available for development in well-established metropolitan locations, amongst other challenges. Furthermore, it is relatively difficult for new entrants to scale and expand their range of product and care offerings. This is especially challenging in a slowing market and with mandatory buybacks being legislated, providing an opportunity for larger, well-funded operators to acquire distressed assets.

Foreign ownership in the Australian market is currently limited with all of the major players being owned locally. Future globalisation within the industry is expected with an increase in overseas investors and property developers extending into Australia's ageing market.<sup>72</sup> Aside from new foreign investments and domestic portfolio expansion, larger RC operators are seeking for cross-border opportunities as seen in Lendlease's acquisition of Ardor Gardens in Shanghai, China, and Aveo's RC development in China which was sold to its local partner post-completion. Offshore geographical expansion for the RC business model is viable in countries, particularly in Asia, where the industry is in its infancy phase and the ageing population is fast growing.<sup>73</sup>

### 6.5 Regulatory framework

#### 6.5.1 Regulation of RCs

The Australian retirement industry is regulated at a State or Territory level. Each State and Territory has a Retirement Villages Act or an equivalent, outlining the rights and responsibilities of both the operators and residents. Notwithstanding the differences between the legislation of each State and Territory, there are a number of features that are largely consistent between the States and Territories, such as the requirement for contents of disclosure statements, restrictions on fee increases, insurance policies, etc. Local government legislation also applies to RCs in relation to planning law consents, and licensing and permit requirements for the operation of RCs.

In 2015, the Australian Government Productivity Commission published a report titled Housing Decisions of Older Australians. The research paper investigated issues including policies affecting the supply and cost of residential aged care and other age-specific housing, the issues in using home equity release to support living standards in retirement and the influence of tax and transfer system on housing decisions. The findings of the investigation led to inquiries in each State and Territory and changes in retirement legislation. The focus of these inquiries and approved changes include but are not limited to the following.

**Table 2: Inquiries and approved regulatory changes**

State/Territory	Inquiries/Approved changes
New South Wales	Reforms to the payment of exit entitlements and the duration for which a resident is responsible to pay recurrent charges after permanent vacation of the RLC (6 months for metropolitan areas and 12 months for regional areas)
Queensland	The 18 month statutory buy back provision for leasehold, license and freehold units, and other issues relating to disputes, disclosure, dwelling reinstatement and budgeting
Victoria	Issues related to equity release from sale of home to support living standards post retirement
South Australia	Sales processes and timing, as well as the ability for residents to access equity to fund retirement living in communities, and the 18 month statutory buy back provision
Tasmania	No recent or pending changes to the legislation related to RLC

Source: Property Council of Australia

<sup>72</sup> Retirement villages in Australia, IBISWorld, June 2019, page 26

<sup>73</sup> World Population Prospects 2019, United Nations, Department of Economic and Social Affairs, Population Division (2019)

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Market commentators expect the retirement industry to be subject to higher regulatory oversight and standards over the short to medium-term as demand increases. Regulations may become more rigorous with an aim to protect residents from fraud or manipulation, specifically by the extensive disclosure and simplification of complex contracts prepared by RCs operators. As noted in Section 6.4, the financial implications for operators of increasing levels of regulation and industry oversight is yet to be fully recognised, however the changes, particularly the recent statutory buyback provisions in Queensland and South Australia<sup>74</sup> have the ability to negatively impact future reported working capital requirements.

### 6.5.2 Regulation of RACFs

In comparison to regulation of RCs, regulation of the RACF industry is more comprehensive. All aged care residents are required to be assessed by an Aged Care Assessment Team under the Aged Care Funding Instrument (ACFI) to determine the level of subsidies provided, with remaining funding provided by the resident in the form of RADs and/or DAPs or a mixture of both.

The aged care industry in Australia is comprised of a range of services depending on the level of individual need, from community-based services through to high level RACFs. It is regulated under the Aged Care Act 1997, which outlines the obligations and responsibilities that aged care service providers must follow in order to receive subsidies from the Australian Government.

An Australian Government Productivity Commission report titled Caring for Older Australians was released in 2011. The report highlighted a number of deficiencies in the aged care system which restrict its capacity to meet the future challenges of an ageing population. The findings led to the identification of a series of opportunities to reform the industry. In June 2017, the first phase of aged care reform was rolled out with a budgeted spend of \$3.7 billion over five years to build an improved aged care system.

Furthermore, the Royal Commission into Aged Care Quality and Safety was established in October 2018 to ultimately deliver recommendations to improve the services offered at both private and Commonwealth funded RACFs and home care for seniors. Industry operators expect the Commonwealth Government will continue to increase both the level of regulation and the care standards operators must meet (as set out in the existing quality framework) in addition to any recommendations made by the Royal Commission which the Commonwealth and/or State Governments may enact into relevant legislation. The scope of the Royal Commission does not extend to RCs.

## 6.6 Short-term outlook

Revenue generated by the retirement industry is impacted by residential property price growth. Property price growth directly impacts DMF and CG income realised by RCs. Furthermore, as RC units are typically funded by freed up capital from the sale of residents' homes, downturns in the residential property market can have a material adverse impact on the settlement rate of RCs, which is represented by the average time period between the departure of the resident (i.e. vacant possession), and when a new resident enters (i.e. settlement on the unit).

### 6.6.1 Property prices

Retirement property price movements are closely tied to movements in residential property prices. The net increase in Aveo's retirement property values from 30 June 2015 until 30 June 2019 range from 91% to 95% (average of 93%) of net increase in residential property prices over the same period.<sup>75</sup>

<sup>74</sup> Queensland: legislation effective 1 November 2017 and such that buybacks commenced on 1 May 2019 and South Australia: legislation effective 1 January 2018 such that buybacks commenced on 1 July 2019.

<sup>75</sup> Source: Aveo FY19 Investor Presentation, p.16.

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Since mid to late 2017, Australia has experienced a housing downturn. Sydney dwelling values have decreased by approximately 14.9% since the peak in July 2017 and Melbourne dwelling values have decreased by 10.9% since the peak in November 2017 (refer to Figure 6 of this report). Over the period June 2018 to June 2019, the downturn resulted in an annual decline of 6.9% in national dwelling values and a year-on-year decrease of 17.5% in the number of property settlements.<sup>76</sup> While Sydney and Melbourne auction clearance rates improved in the three months to 30 June 2019 when compared with the preceding nine months, clearance rates in Brisbane and Adelaide have not. Overall clearance rates in all major capital cities remain low which may continue to impact prices and settlements in Aveo's RCs.

Australia's capital cities are expected to experience relatively flat property prices in 2019 and modest growth in 2020, as outlined in the following table.<sup>77</sup> The growth is largely driven by consumer sentiment, coupled with the lower interest rates and population growth.

**Table 3: Forecast median house price growth forecasts**

State	Jun 20	Jun 21	Jun 22
New South Wales	1.1%	2.0%	3.4%
Queensland	1.5%	2.6%	3.3%
South Australia	1.7%	3.3%	4.0%
Tasmania	1.9%	2.1%	2.5%
Victoria	0.9%	2.4%	3.2%

Source: BIS Oxford Economics

### 6.6.2 Settlement rates of RC units

Over the period 2017 to 2018 of the housing downturn, the settlement period for RC units increased from 194 days to 243 days, and the average occupancy rate across Australia declined from 93% to 89%<sup>78</sup>. The slowing sales cycle for RC units is predominantly driven by the interrelated effects of the lowered home sale prices, a reduction in the number of residential properties going to market, a lengthening residential sales cycle, reductions to the official cash rate set by the Reserve Bank of Australia (RBA) and the corresponding decline in interest rates offered by most Australian banks. The decrease in residential property prices may not impact the RC unit prices to the same degree, however, a fall in property prices may provide less incentive for retired home owners to sell their homes and purchase alternative accommodation options. In particular, the reduction in interest rates may reduce the returns on capital freed up from home sales, giving retirees less incentive to sell their properties during this period.

### 6.6.3 Working capital requirements

In a slowing market, working capital and cash flow management for RC operators are adversely impacted as operators generate cash flow through the resales of existing units to new incoming residents. A weak residential property market results in a longer settlement period and lower cash flow. In addition, in times of reduced sales, RC operators may offer additional deferred payment options which allows new residents to defer payment until they have sold their home.

Furthermore, RC operators can be contractually required to buy back units from residents where the units are unable to be sold in the specified timeframe. In order to provide RC purchasers and residents greater peace of mind and confidence, statutory buyback rights exist in certain states (e.g. an 18 month buyback period in Queensland and South Australia) and a reform for mandatory sale or buyback periods was announced by NSW Minister in February 2019, potentially requiring shorter buyback periods of six

<sup>76</sup> Monthly Housing and Economic Chart Pack July 2019, CoreLogic

<sup>77</sup> BIS Oxford Economics: Residential Property Prospects 2019 – 2022 Australian Capital cities and selected centres - June 2019

<sup>78</sup> 2018 PwC/Property Council Retirement Census, November 2018, page 1 and 2017 PwC/Property Council Retirement Census, November 2017, page 1.

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months in metropolitan areas and 12 months in regional areas. The enforcement of the buyback rights increases working capital requirements of RC operators when the residential property market deteriorates.

A strong balance sheet is also required to fund development activities as RC operators cannot take pre-sales on new units.

## 6.7 Demand and long-term outlook

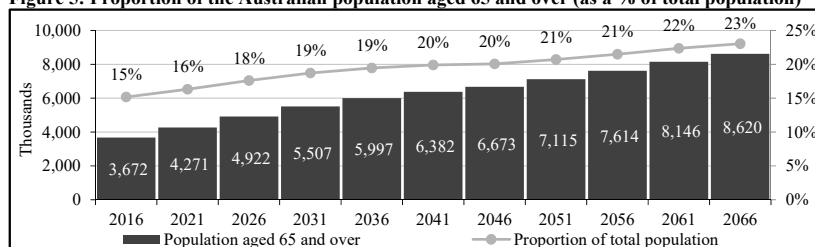
The retirement industry in Australia is expected to experience long-term growth underpinned by: (i) the ageing population, (ii) housing affordability, and (iii) financial pressure on retirees.

### 6.7.1 Ageing population

An ageing population is a global trend which is impacting many developed countries as a result of the ageing of 'baby boomers' coupled with an overall increase in life expectancy driven by improvements in sanitation, housing and education. Australia is ranked as one of the top 10 countries in the world in terms of the proportion of people aged 65 and over.<sup>79</sup> In 2018, over 188,000 seniors are estimated to be living in RCs across Australia<sup>80</sup> representing approximately 5% of the population aged 65 or above.<sup>81</sup>

According to the Australian Institute of Health and Welfare and projections from the Australian Bureau of Statistics (ABS), the population of Australians aged 65 or above is expected to grow at an average rate of 1.9% per annum (faster than the overall population growth of 1.0%) to reach in excess of 7.9 million, or 22% of the total population, by 2059<sup>82</sup>, as shown in the following chart.

**Figure 5: Proportion of the Australian population aged 65 and over (as a % of total population)**



Source: Australian Bureau of Statistics 3222.0 Population Projections, Australia, 2017 (base) to 2066

The ageing population and increasing life expectancy are expected to underpin the demand for care in later life and the growth of the retirement industry in Australia.

### 6.7.2 Housing affordability

Housing affordability refers to the ratio of expenditure on housing, including housing prices, mortgage payments and rental payments, to annual household incomes. Housing affordability in Australia has declined over the past few decades with dwelling/house price to income ratio increasing from 4.3 times as at September 2001<sup>83</sup> to 7.0 times as at December 2018.<sup>84</sup> These measures resulted in Australia being rated

<sup>79</sup> World Population Prospects: The 2017 Revision, United Nations Department of Economic and Social Affairs

<sup>80</sup> The Book of Wise Moves, Retirement Living Council, page 8

<sup>81</sup> 3101.0 Australian Demographic Statistics, Dec 2018, Australian Bureau of Statistics, 20 June 2019

<sup>82</sup> 3222.0 Population Projections, Australia, 2017 (base) to 2066, Australian Bureau of Statistics, 22 November 2018

<sup>83</sup> Housing Affordability Report, CoreLogic, December 2016, page 4

<sup>84</sup> Housing Affordability Report, ANZ and CoreLogic, June 2019, page 6

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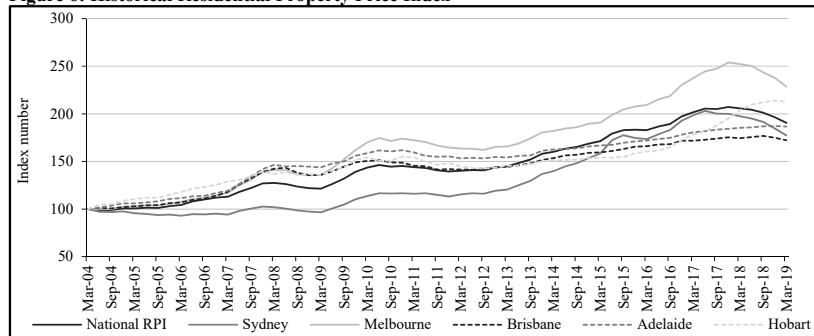
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as one of top ten unaffordable major housing markets globally. As illustrated in the following figure, the national residential price index<sup>85</sup> increased from 100.0 in March 2004 to 109.5 in March 2019<sup>86</sup>.

**Figure 6: Historical Residential Property Price Index**



Source: 6416.0 Residential Property Price Indexes: Eight Capital Cities, March 2019, Australian Bureau of Statistics

RC units typically compare favourably with the price of comparable housing in Australian capital cities, while general price movements of RCs follow in tandem to residential property prices. In 2018, the average cost of a two-bedroom RC home was approximately \$438,000<sup>87</sup>, compared to the average Australian dwelling price of \$656,300.<sup>88</sup> Furthermore, the average cost of a RC unit was approximately 64% of the median price of a two-bedroom house in the same postcode across Australia, which highlights the historical appeal of RC units as an affordable alternative housing option.<sup>89</sup>

Following a decline in property prices and reduction in the cash rate, transactions involving first home buyers have increased as properties became relatively more affordable<sup>90</sup>. However, the affordability of mortgages and housing is expected to decrease over the next five years, as interest rates begin to rise again and residential housing prices rebound from the current downturn.

### 6.7.3 Financial pressure on retirees

According to the Association of Superannuation Funds of Australia's Retirement Standard, a single individual needs approximately \$545,000 and a couple need \$640,000 in savings to have a comfortable retirement.<sup>91</sup> However, senior Australians are characterised by low levels of savings and superannuation. As life expectancy increases, more capital resources are required to support longer retirement periods.

Whilst government pensions or allowances are typically indexed to consumer price index (CPI), the CPI is generally lower than the rate of increase in costs incurred by retirees (e.g. utilities, management fees, other living expenses, etc.). Further, constraints on the ability of the government to increase pension payments become more stringent as the funding in RACFs increases to accommodate the ageing

<sup>85</sup> Price index for residential properties representing the weighted average of the eight capital cities in Australia, namely Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart, Darwin and Canberra.

<sup>86</sup> For illustrative purposes the RPI index is rebased to 100 from March 2004

<sup>87</sup> 2018 PwC/Property Council Retirement Census, November 2018, page 4

<sup>88</sup> 6416.0 Residential Property Price Indexes: Eight Capital Cities March 2019, Australian Bureau of Statistics

<sup>89</sup> 2018 PwC/Property Council Retirement Census, November 2018, page 4

<sup>90</sup> Domain's Property Price Forecasts – June 2019, Trent Wiltshire, Domain June 2019

<sup>91</sup> ASFA Retirement Standard 2018, the Association of Superannuation Funds of Australia, page 4

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population. In the most recent 2019 Federal Budget, strengthened aged care reforms were announced with intentions to increase funding towards RACFs.

In order to accommodate increased aged care funding needs and healthcare costs, the potential rise in pension payments to retirees may be limited. In this circumstance, the attractiveness of RCs which offer low entry cost and low maintenance from the residents as a retirement option may increase, especially for those who may have a fixed amount of capital freed up from the sale of their family homes.

## 7 Profile of Aveo

### 7.1 Background

Aveo was established in 1970 as a residential property investment and land subdivision operation. In 2013, it announced a strategy to transform from a diversified property group to a pure retirement group. Since then, it has:

- divested Non-Retirement assets, reducing their book value from \$798.2 million at 30 June 2013 to \$81.4 million at 30 June 2019. It expects to exit a majority of the remaining assets in FY20, with final settlements in FY21<sup>92</sup>
- acquired entities with an emphasis on care, in particular, FAC in February 2016, and has rolled out FAC's privately funded aged care model to a further 12 RCs
- acquired the remaining 27% interest in Retirement Villages Group (**RVG**) in August 2016
- introduced the 'Aveo Way' contract in 2014, providing greater clarity and certainty and launched 'Aveo Certainty' and 'Aveo Essentials' contracts in 2018 to provide more choice for residents
- increased development activities, delivering 1,437 units at a gross cost of approximately \$757 million between 30 June 2014 and 30 June 2019 and expanding its development pipeline from 2,600 units to approximately 4,700 units
- in 2018, completed the construction of Newstead, a flagship integrated RC consisting of 199 retirement units including FAC SAs and 99 residential aged care beds
- further integrated care within its retirement product, acquiring a 50% interest in allied health businesses (i.e. Mobile Rehab and Physio Co) (**Allied Health**) in 2015 and launching Aveo Care at Home in 2017, and
- sold the remaining 30% interest in Aveo China (Holdings) Limited (**Aveo China**) in May 2018 for HK\$87.3 million.

Today, Aveo provides 12,119 retirement dwellings for approximately 14,000 residents in 94 RCs across major cities along the east coast of Australia and Adelaide including 9,111 ILUs, 1,536 SAs and 1,472 FAC SAs. It also provides 406 beds at traditional RACFs. It offers higher level of care services (FAC SA or RACF) at 32 of the 94 RCs. It has a pipeline of approximately 5,363 new units and 850 aged care beds. It is listed on the ASX and as at 13 August 2019, the last trading day prior to the announcement of the Transaction, it had a market capitalisation of \$1,167 million.<sup>93</sup>

### 7.2 Strategy

Aveo's long-term business strategy as set out in its FY19 results release is focused on three key pillars:

<sup>92</sup> Source: Aveo FY19 Investor Presentation, page A29.

<sup>93</sup> Based on a closing price of \$2.01 on 13 August 2019 and 580,737,672 Aveo Securities.

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- continuing to roll out the Aveo Way suite of contracts to provide greater choice and certainty to residents
- delivering high quality development projects, and
- integrating care into accommodation through the FAC model, co-locating RACFs and Aveo Care at Home's offering.

The specific elements of Aveo's long-term strategy within each business are as follows:

- **Established Business:**
  - target gross margin for DMF/CG resale product of greater than 30% (before reinstatement costs, marketing and sales costs and overhead costs)
  - target margin for ongoing unit buyback and subsequent resale program of 5% to 10%
  - target written and settlement sales rates at 10% to 12%
  - introduce FAC offering to selected communities in the Aveo portfolio
  - increase unit pricing in line with residential market price growth
  - improve Aveo contract terms and options for residents, and
  - maintain cost efficient operational structures.
- **Development:**
  - Major Development<sup>94</sup> pipeline of approximately 4,700 units to be developed over 5 to 10 years
  - delivery target of at least 500 new units from Major Developments per annum (target margin 16% to 20% pre-interest)<sup>95</sup>
  - Minor Development<sup>96</sup> of FAC conversion and FAC original units to assist in rolling out FAC product targeting 150 units per annum post FY20 (target margin of 35% to 40% pre interest)<sup>97</sup>
  - continue to expand development pipeline through selected new site acquisitions, and
  - future acquisitions of new sites must meet required investment return metrics.
- **Care and Support Services:**
  - continual delivery of new RACFs to support an increase in the integrated RC offering
  - existing pipeline of 850 aged care beds
  - preference to deliver one new RACF per annum
  - low care in-home services to residents via Aveo Care at Home offering
  - increase penetration rate for Aveo Care at Home within RCs, and
  - Aveo owned Alliance Healthcare providers integrated into RC operations.

<sup>94</sup> Described in Section 7.6.2 of this report.

<sup>95</sup> 62 units in FY20, returning to at least 500 units by FY22.

<sup>96</sup> Described in Section 7.6.2 of this report.

<sup>97</sup> 125 units in FY20, 150 units in FY21 onwards.





### 7.3 Recent developments

Aveo largely achieved its long-term targets from FY14 to FY18 and generated strong earnings and NTA growth (refer to Sections 7.9 and 7.10 of this report), however, by mid-August 2018 its security price traded at a significant discount to NTA (see Section 7.15). This likely reflected:

- negative public perceptions of Aveo and the retirement industry, which commenced in June 2017 following the Fairfax media and ABC Four Corners joint report<sup>98</sup> into alleged practices at Aveo' RCs
- announcement of an Australian Competition and Consumer Commission (ACCC) investigation into Aveo in July 2017
- in September 2017, Levitt Robinson filed a class action in the Federal Court of Australia. Under the class action, certain current and former residents of Aveo RCs allege that the introduction of Aveo Way contracts, in particular changes to the right to retain any CG and changes to DMFs payable on exiting the RC, resulted in or will result in the residents achieving a lower sales price for their properties. Initially, the claim was limited to residents on freehold title, however, on 30 July 2019, the Federal Court of Australia granted the applicants leave to amend the claim to include residents on leasehold title.<sup>99</sup>
- concern around sustainable sales levels given the downturn in the residential property market which commenced in late 2017/early 2018 and further regulatory risk in the retirement industry,<sup>100</sup> and
- sell down of most of the Non-Retirement portfolio and negative cash generation from Retirement, thus limiting Aveo's ability to fund future developments.

On 15 August 2018, Aveo announced a Strategic Review of Retirement with a stated focus on closing the gap between the trading price and the underlying value of its retirement properties.<sup>101</sup> It also sought to dispose of remaining Non-Retirement and non-core assets, including the 275 unit US Seniors portfolio, Currumbin land site, Albion residential apartment site and smaller or regional RCs.<sup>102</sup>

As sales of new units have not kept pace with deliveries, Aveo is targeting the delivery of 62 Major Development units in FY20, returning to at least 500 new units per annum by FY22 and 125 Minor Development units in FY20, returning to 150 units in FY21 onwards. It is also seeking to convert the increased deposits in FY19 into settlements in FY20 and is continuing to prudently manage capital.

### 7.4 Overview of operations

Aveo owns and operates its retirement living portfolio through three primary business units: Established Business, Development and Care and Support Services. It also has a minor Non-Retirement portfolio.

<sup>98</sup> Included a television feature on ABC Four Corners and two consecutive major features in the Sydney Morning Herald and The Age, claiming that Aveo and other RCs operate in an industry that is "built on unfair practices".

<sup>99</sup> The claim has been commenced as an open class action and the precise number of class members is presently unknown, although it may apply to up to 78 RCs who have adopted the Aveo Way program. No substantive evidence has been filed by any party and the applicants have not quantified either the lead applicants' claims or the total quantum of the claims of all class members. The hearing is expected to take place in 2020 (unless settled prior).

<sup>100</sup> Refer to Section 6 of this report.

<sup>101</sup> Refer to Section 4.1 of this report.

<sup>102</sup> Source: 2018 Annual General Meeting announcement.

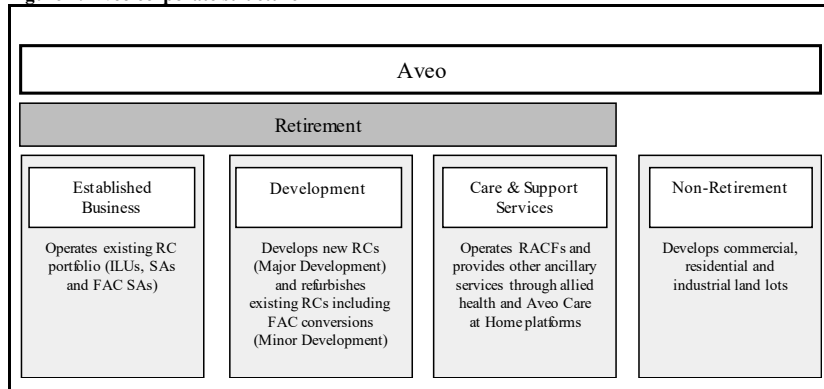
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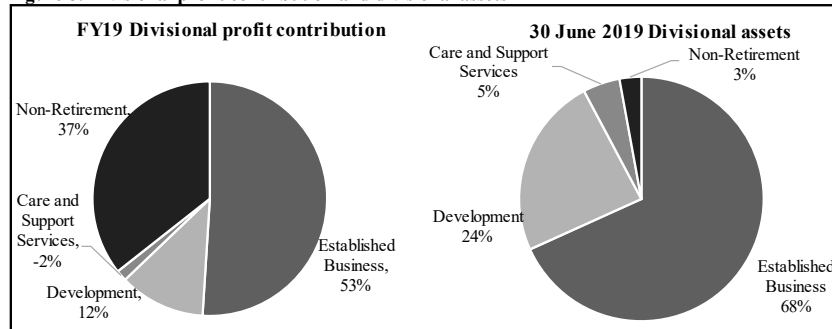
**Figure 7: Aveo corporate structure**



Source: Aveo FY19 Annual Report

Each of these business units represents a financial reporting segment. Established Business and Development accounted for 65% of FY19 divisional contribution<sup>103</sup> and Established Business accounted for 68% of divisional assets<sup>104</sup> at 30 June 2019. Care and Support Services generated a small loss at the profit contribution level in FY19, as a large share of revenue is sourced from ancillary services, which are broadly operated on a 'break-even' basis. Although Non-Retirement contributed 37% of divisional profit contribution in FY19, assets remaining at 30 June 2019 represented less than 3% of divisional assets.

**Figure 8: Divisional profit contribution and divisional assets**



Source: Aveo FY19 Investor Presentation

### 7.5 Established Business

#### 7.5.1 Overview of the portfolio

Approximately 82% of Aveo's portfolio of 94 RCs are located in Queensland, New South Wales and Victoria. RCs are concentrated around the three capital cities of Brisbane, Sydney and Melbourne as well

<sup>103</sup> Divisional profit contribution is Underlying EBITDA (earnings before interest (other than capitalised interest in COGS), tax, depreciation and amortisation, non-cash and non-recurring items and equity accounted investments) before unallocated corporate expenses and incentive scheme.

<sup>104</sup> Divisional assets excludes \$232.1 million of other assets (including cash and trade receivables).

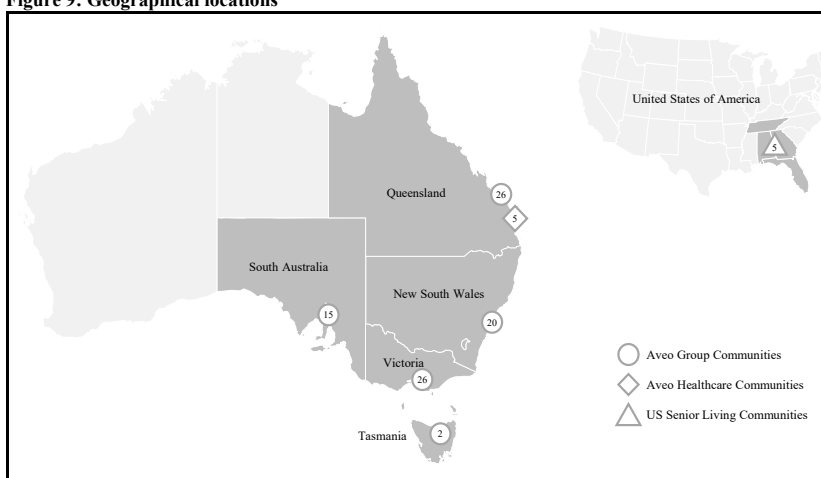
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as the Gold Coast and Sunshine Coast, which typically have stronger demand, driving higher unit price growth. Aveo also owns 100% of US Seniors, which has five RCs in the south east of the United States and an 86.6% interest in Aveo Healthcare Limited (Aveo Healthcare), which has five RCs in Brisbane.

**Figure 9: Geographical locations**



Source: Aveo FY19 Annual Report

Communities within the portfolio are combinations of ILUs and SAs. Following the acquisition of FAC in FY16, Aveo has been integrating the FAC offering by converting existing SAs into FAC SAs and by incorporating FAC SAs into new developments alongside ILUs and SAs. In addition, Aveo offers a range of services across each of the RCs (refer to Section 7.7 of this report). The following table provides the broad characteristics of Aveo’s ILUs, SAs and FAC SAs.

**Table 4: Overview of ILUs, SAs and FAC units**

	ILUs	SAs	FAC SAs
<b>Overview</b>	Units designed for residents who are largely self-sufficient	Private apartments designed for residents who seek to be largely independent but require some form of assistance with everyday tasks	Positioned as an alternative to a traditional nursing home, providing independence and privacy of home ownership, accompanied with the availability of varying levels of care
<b>Services offered</b>	Communal facilities and services, with additional support and care services available, as required	Services include daily meals, weekly domestic and linen services and support from a personal care assistant	Residents pay for personal care services through participating in the Freedom Aged Care program or by paying for care on a Pay-As-You-Go basis
<b>Type of units</b>	Offered typically as one to three bedroom residences	Offered typically as studio or one bedroom residences	Offered typically as studio or one bedroom residences

Source: Aveo FY19 Annual Report and Investor Presentation and KPMG Corporate Finance analysis

The Australian portfolio has increased from 7,702 units across 46 RCs as at 30 June 2015 to 12,119 units across 94 RCs as at 30 June 2019 (inclusive of Aveo Healthcare RCs) as illustrated in the following chart.

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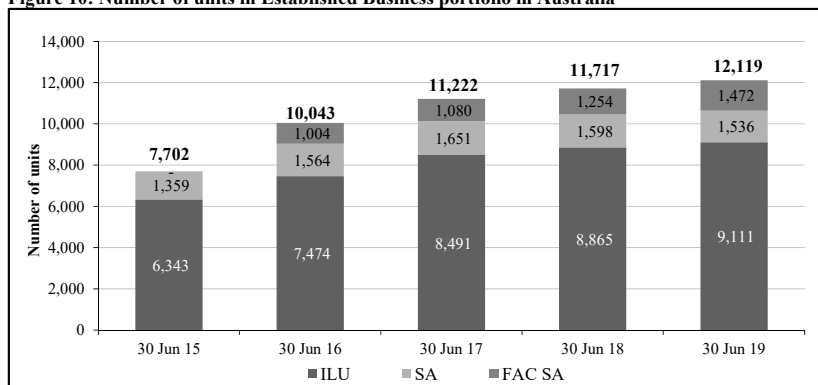
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**Figure 10: Number of units in Established Business portfolio in Australia**



Source: Aveo Annual Reports and Investor Presentations for FY15, FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

Note: Proportion of units in the RVG portfolio that are included is based on Aveo's percentage ownership in RVG (38.8% at 30 June 2015, 72.9% at 30 June 2016 and 100.0% thereafter).

This growth is attributable to:

- inclusion of 1,156 additional RVG units (**RVG portfolio**) at 30 June 2016 and 925 additional RVG units at 30 June 2017 as a result of the increase in ownership of RVG
- inclusion of 1,004 FAC SAs (**FAC portfolio**) from 30 June 2016 as a result of the acquisition of FAC in February 2016. The number of FAC SAs increased to 1,302 as at 30 June 2019 as existing SAs were converted to FAC SAs ('Minor Development'), and
- development of new units ('Major Development') and the subsequent sale of new units to resident.

The composition of Aveo's Established Business portfolio in Australia as at 30 June 2019 is as follows.

**Table 5: Breakdown of Established Business portfolio in Australia as at 30 June 2019<sup>105</sup>**

Portfolio	Number of Units			Total
	ILU	SA	FAC SA	
Aveo	5,007	930	-	5,937
Aveo Healthcare	1,275	169	-	1,444
RVG <sup>1</sup>	2,829	437	-	3,266
FAC	-	-	1,472	1,472
<b>Total</b>	<b>9,111</b>	<b>1,536</b>	<b>1,472</b>	<b>12,119</b>

Source: Aveo FY19 Annual Report and Investor Presentation, Aveo and KPMG Corporate Finance analysis

Note 1: Includes RCs transitioning units to FAC offering.

In addition, Aveo's US Seniors portfolio comprises 15 ILUs and 260 SAs at five RCs.

Relative to the industry average, the average tenure in Aveo's RCs is short (approximately 7 years, compared to an industry average of 8 to 9 years). This likely reflects the higher average age of residents in Aveo's RCs (83.3 years) compared with the industry average (81 years). In turn, this may reflect the

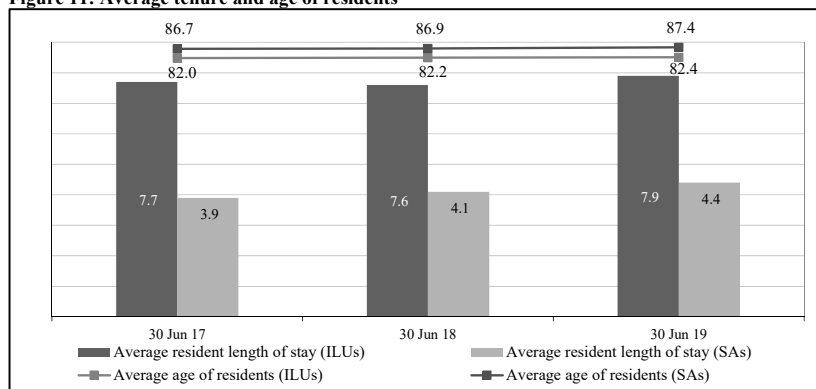
<sup>105</sup> Refer to Appendix 3 for further detail on Aveo's RCs. Unless otherwise stated, all references in this report to Aveo's Established Business portfolio are inclusive of the Aveo Healthcare ILUs and SAs. As at 30 June 2019, the Established Business portfolio included five Aveo Healthcare RCs, which comprised 1,275 ILUs, 169 SAs and 83 FAC SAs. Excludes US Seniors portfolio.

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higher age of residents entering Aveo’s RCs (79.2 years), compared with the industry average (74 to 75 years) as well as the higher average age of Aveo’s RCs (63 RCs are more than 20 years old).

**Figure 11: Average tenure and age of residents**



Source: Aveo Annual Reports and Investor Presentations for FY17, FY18 and FY19 and KPMG Corporate Finance analysis

Over the last two years, the average tenure at Aveo ILUs and SAs has remained relatively stable while the average age of residents at SAs has increased from 86.7 years to 87.4 years.

### 7.5.2 Contracts

Historically, contracts have been agreed on an individual basis, specific to the resident or RC and are a mix of freehold and leasehold ownership (**Legacy Contracts**). Currently, there are over 200 variations of Legacy Contracts. Since 2014, Aveo has introduced a standardised suite of contracts for new residents in order to limit the variability of contractual terms and has sought to roll these out to all new residents.

Aveo introduced the **Aveo Way** contract in 2014 in order to provide greater clarity and certainty for residents. The contracts provide residents with a guaranteed buyback on exit and a money back guarantee on purchase and the resident is not responsible for refurbishment costs, reinstatement or selling costs on exit. They allow for greater flexibility for Aveo as all contracts are under a leasehold structure. They also provide for a higher DMF/CG margin for Aveo<sup>106</sup> as they entitle Aveo to 100% of the CG margin and specify a fixed DMF margin of 35% on resale residences and 25% on new residences being rolled out as part of Aveo’s Major Development projects. Relative to other contracts in the industry, the DMF accrual period is relatively short (three years for established residences and two years for new residences).

Following consultation with consumers, Aveo implemented a number of initiatives in 2017 including:

- better pre-contract disclosure and encouraging purchasers to seek independent advice
- simplified and shorter resident contracts
- improved contract terms and new inclusions
- improvements to Aveo’s complaint and incident handling procedures (**Riskman**), and
- initiating community specific improvement plans and more regular customer satisfaction surveys.

<sup>106</sup> Source: Aveo FY18 annual report.

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In September 2018, Aveo launched the **Aveo Certainty** and **Aveo Essentials** contracts to provide more choice for residents with options that offer enhanced conditions, greater flexibility and improved affordability. Aveo Essentials is offered as a variation to the Aveo Way contract and is available on ILUs only with the key difference being a longer ramp-up to maximum DMF rate (five years). The Aveo Certainty contract provides residents with an ability to transfer to a FAC SA from an ILU or SA for an annual fee without triggering a DMF payment. The **Freedom Way** contract is offered for FAC SAs only and is structured three Aveo contracts.

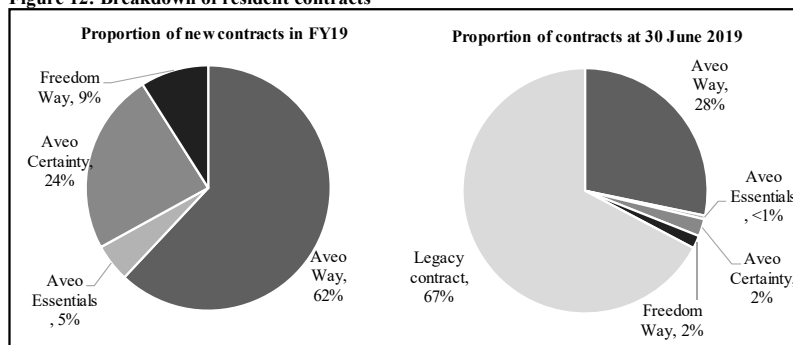
**Table 6: Current suite of Aveo contracts**

	Aveo Way	Aveo Essentials	Aveo Certainty	Freedom Way
<b>Maximum DMF rate:</b>				
- Established residences	35%	35%	35%	35%
- New residences	25%	35%	25%	35%
<b>DMF accrual period:</b>				
- Established residences	3 years	5 years	3 years	2 years
- New residences	2 years	5 years	2 years	2 years
Incremental DMF	15% in Year 1 10% from Year 2	7% per year	15% in Year 1 10% from Year 2	20% in Year 1 15% from Year 2
DMF applied to	Entry unit price	Entry unit price	Entry unit price	Entry unit price
Aveo share of CG	100%	100%	100%	100%
Money back guarantee (period from entry)	6 months	3 months	6 months	60 days
Buyback guarantee (period from exit)	6 months	12 months	6 months	12 months
Membership transfer	n/a	n/a	Transfer to a FAC unit, nearest aged care facility, or similar unit with no extra DMF	Transfer to another unit in the Aveo portfolio with a 10% discount on the subsequent ingoing contribution payable
Membership cost	n/a	n/a	\$2,000 p.a. paid upon exit	n/a

Source: Aveo FY19 Investor Presentation, Aveo and KPMG Corporate Finance analysis

There has been significant take up of these new contracts, albeit Legacy Contracts account for approximately two thirds of all contracts. As at 30 June 2019, the Aveo Way suite of contracts had been rolled out to 2,935 units representing 31.0% of the portfolio, with the Freedom standard contracts collectively being adopted at 547 units, representing 5.8% of the portfolio.

**Figure 12: Breakdown of resident contracts<sup>107</sup>**



Source: Aveo FY19 Investor Presentation, Aveo and KPMG Corporate Finance analysis

<sup>107</sup> Resident contract information as at 30 April 2019

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As at 30 June 2019, approximately 76% of units in the Established Business portfolio were on a leasehold contract with the remainder on freehold title. With the introduction of the Aveo Way contract, additional units have been transitioned to leasehold contracts. As at 30 June 2019, 88% of legacy Aveo units were leasehold, FAC SAs were mainly leasehold (97%) and RVG units were mainly freehold (68%).

### 7.5.3 Sources of revenue

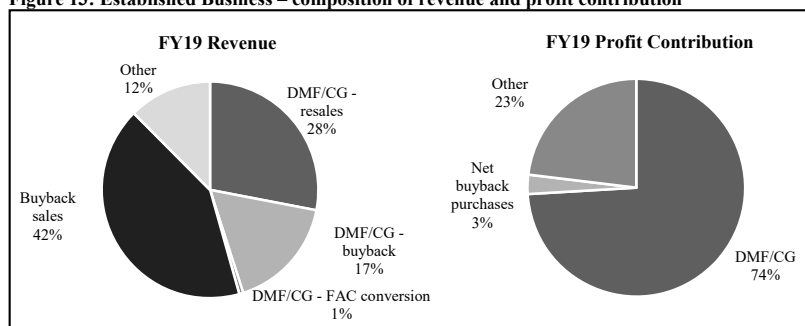
Total revenue is mainly comprised of DMF/CG revenues, which are driven by the number of transactions, value of those transactions and DMF/CG margin. Transactions that attract DMF/CG revenues include:

- the resale of units from outgoing residents to new incoming residents
- the buyback of units from existing residents, which occurs for the following reasons:
  - **mandatory:** resident is unable to sell the unit and, as per the contractual terms, Aveo is obligated to buy back the unit from the resident, usually after 6 or 12 months of it being on the market or otherwise within 18 months in accordance with statutory buyback provisions
  - **discretionary:** Aveo buying back in order to undertake refurbishments or re-purpose the specific unit, as determined by management
  - **facilitating internal transfers:** Aveo buying back the unit to facilitate a transfer of a resident between units, RCs or different level of care within Aveo, and
- the buyback of a unit under the FAC conversion process. Units undergo major refurbishment and are sold as part of Minor Development sales.

Aveo also generates revenue when properties that were bought back are then sold to new residents.

Aveo has set a long-term target gross margin for DMF/CG resales of greater than 30% (before reinstatement costs, marketing and sales costs and overhead costs) and a target margin for the ongoing unit buyback and subsequent resale program of 5% to 10%.<sup>108</sup> In FY19, DMF/CG revenue accounted for 46% of revenue and 74% of contribution margin for Established Business. Although buyback sales represent 42% of revenue, they account for only 3% of contribution margin, reflecting the lower margin generated on buyback sales relative to DMF/CG generating transactions.

**Figure 13: Established Business – composition of revenue and profit contribution<sup>1</sup>**



Source: Aveo FY19 Investor Presentation and KPMG Corporate Finance analysis

Notes:

- 1: Profit contribution is Underlying EBITDA before unallocated corporate expenses and incentive scheme.
- 2: Other revenue includes resident commissions, community administration fees and US Seniors.

<sup>108</sup> Refer to Section 7.2 of this report.

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Other income relates to administration fee income, resident commissions, net Aveo Certainty income (representing membership costs associated with the Aveo Certainty contract (refer to Table 6), interest income, and other general income.

### 7.6 Development

#### 7.6.1 Overview

Development generates revenue from the sale of individual units to incoming residents. Developments include 'Major Developments', which refers to the development of new units, and 'Minor Developments', representing the conversion of existing SAs to FAC SAs and refurbishment of units. Development of new sites generates a development margin (where new units are sold above cost) and creates a future annuity of DMF/CG cash flows.

Aveo undertakes three main types of Major Development:

- **greenfield sites (i.e. development of new site):** greenfield developments typically take longer, are more complicated and involve higher outlays for infrastructure costs. However, greenfield developments provide the opportunity for more standardised fit outs and ancillary services to meet current market expectations and requirements
- **brownfield sites (i.e. new developments in an existing RC):** expansion of existing communities provides advantages including higher development margin (as much of the infrastructure is already in place), the development period is shorter and lower risk (with proven consumer demand, usually waiting lists), and
- **redevelopment sites (replacement or repurposing an existing RC):** redevelopments or conversion of existing sites provides similar advantages to brownfield developments, however, projects could be smaller in scale, thus leading to inefficiencies in the construction process as Aveo may have to actively manage the project to limit disruption for existing residents.

Aveo also is engaged in the conversion of existing SAs to FAC SAs. This process involves refurbishing SAs and fitting relevant equipment to make them suitable for tenants who require a higher level of care.

#### 7.6.2 Pipeline

##### Major Developments

As at 30 June 2019, Aveo's development pipeline comprised of 4,717 Major Development units to be developed over the next five to ten years. In response to the slowing residential property conditions, development activities have been scaled back while Aveo sells down accumulated new stock. As at 30 June 2019, 62 units were expected to be delivered in FY20 with the remainder to be delivered from FY21 onwards. Most of the Major Development pipeline comprises brownfield sites (65.1%) and most sites are located in Queensland (79.9%).

Table 7: Major Development pipeline units as at 30 June 2019

	Number of development pipeline units				Proportion %
	Greenfield	Brownfield	Redevelopment	Total	
New South Wales	-	679	-	679	14.4%
Queensland	478	2,348	944	3,770	79.9%
South Australia	-	-	-	-	0.0%
Victoria	-	-	223	223	4.7%
Tasmania	-	45	-	45	1.0%
<b>Total Pipeline Units</b>	<b>478</b>	<b>3,072</b>	<b>1,167</b>	<b>4,717</b>	<b>100.0%</b>
<b>Proportion %</b>	<b>10.1%</b>	<b>65.1%</b>	<b>24.7%</b>	<b>100.0%</b>	

Source: Aveo FY19 Investor Presentation and KPMG Corporate Finance analysis

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As at 30 June 2019, Aveo had Major Developments under construction at 30 RCs with a total book value of \$206.8 million (reflecting accrued costs as at 30 June 2019). A significant portion of the Major Developments under construction are greenfield and redevelopment with developments primarily taking place in Queensland and New South Wales. Refer to Appendix 3 for further detail on Major Development projects.

**Minor Developments**

As at 30 June 2019, Aveo had 646 Minor Development units in its pipeline. The majority of the Minor Developments are conversion units (55%) with the remainder being refurbishments (45%). Conversion units reflect existing ILUs or SAs which are converted to FAC SAs, and refurbishments reflect existing units (ILUs, SAs and FAC SAs) which require additional work before being sold again. Aveo has set a long-term target to deliver 180 FAC SAs per year from FY20 onwards.<sup>109</sup> As at 30 June 2019, Aveo’s Minor Developments had a total book value of \$74.6 million. Refer to Appendix 3 for further detail on Minor Development projects.

**Table 8: Minor Development pipeline units as at 30 June 2019**

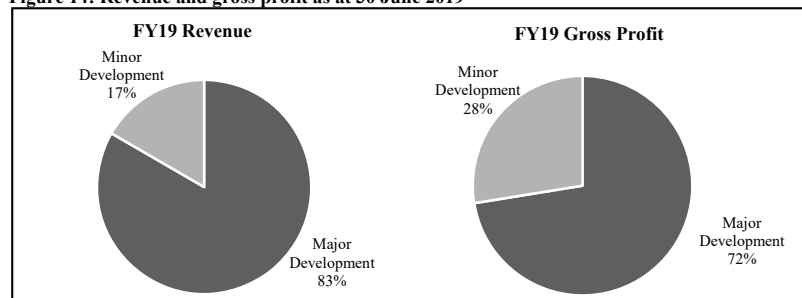
Community	Number of development pipeline units			Proportion %
	Refurbishment	Conversion	Total	
Conversion Villages	178	352	530	82.0%
Original Freedom Villages	115	1	116	18.0%
<b>Total Pipeline Units</b>	<b>293</b>	<b>353</b>	<b>646</b>	<b>100.0%</b>
<i>Proportion %</i>	<i>45.4%</i>	<i>54.6%</i>	<i>100.0%</i>	

Source: Aveo FY19 Investor Presentation and KPMG Corporate Finance analysis

**7.6.3 Composition of revenue and gross profit**

Major Developments comprise a much higher proportion of the revenue and gross profit for the Development segment. Aveo has set long-term target pre-interest gross margins of 16% to 20% for Major Developments and 35% to 40% for Minor Developments.<sup>110</sup> The margin for Minor Developments is relatively high, reflecting the value added through inclusion of FAC services and refurbishment works undertaken. As a result, Minor Developments account for a greater share of gross profit relative to their share of revenue.

**Figure 14: Revenue and gross profit as at 30 June 2019**



Source: Directors’ Report in Aveo FY19 Annual Report and Aveo FY19 Investor Presentation and KPMG Corporate Finance analysis

<sup>109</sup> Refer to Section 7.2 of this report.

<sup>110</sup> Refer to Section 7.2 of this report.

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### 7.7 Care and Support Services

Care and Support Services contains Aveo's RACF operations and other ancillary services provided to residents of its RCs.

#### 7.7.1 RACFs

Aveo's RACF portfolio contains five facilities with 406 beds that are co-located with Aveo's RCs. Aveo operates four of the sites and a fifth site is operated by Japara Healthcare. Newstead RACF opened in May 2018 and had occupancy of 69% at 30 June 2019, with full occupancy expected during 1H20. As at 30 June 2019, average occupancy across the remaining facilities (i.e. excluding Newstead) was 95.7%.

**Table 9: Existing RACFs**

Location	State	Operator	Beds
Durack	Queensland	Aveo	123
Minkara	New South Wales	Aveo	51
Mingarra	Victoria	Aveo	60
Newstead	Queensland	Aveo	99
Bayview	New South Wales	Japara Healthcare	73
<b>Total</b>			<b>406</b>

Source: Aveo FY19 Investor Presentation and KPMG Corporate Finance analysis

A further 850 aged care beds are currently in the development pipeline and are expected to be delivered in the medium-term as Aveo continues to develop RCs that provide a full service offering, providing residents with access to increasing levels of care.

**Table 10: Development Pipeline of RACFs**

Location	State	Status	Beds
Bella Vista	New South Wales	Planning stage	144
Carindale	Queensland	Planning stage	100
Clayfield	Queensland	Planning stage	105
Mingarra	Victoria	Planning stage	110
Minkara / Bayview	Victoria	Planning stage	124
Newcastle	New South Wales	Planning stage	123
Springfield	Queensland	Planning stage	144
<b>Total</b>			<b>850</b>

Source: Aveo FY19 Investor Presentation and KPMG Corporate Finance analysis

#### 7.7.2 Ancillary services

Care and Support Services operates four main ancillary services for residents at RCs:

- **Allied Health:** provides occupational therapy and physiotherapy services to residents through 50% interests in Mobile Rehab and Physio Co
- **Food and Nutrition:** provides nutrition-focused meals delivered to residents and operates 65 restaurants within the RCs
- **Care at Home:** provides home care services (e.g. laundry, cleaning) to residents at all of Aveo's RCs and homes in surrounding areas to Aveo facilities, and
- **Aveo Connect:** provides telecommunication services (including phone and internet), other multimedia entertainment services and enhanced monitoring services to residents. Aveo has introduced "Tech Angel" services at select RCs, which provide free-of-charge assistance for residents for their technological needs.

Aveo currently operates these ancillary services in order to broaden the service offering to residents, improve customer experience and increase the attractiveness of Aveo's RC's. Ancillary services are

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broadly operated on a 'break-even' basis and Aveo management considers that the value of ancillary services is captured in other parts of the business.

**7.8 Non-Retirement**

Aveo has divested a majority of its Non-Retirement portfolio. As at 30 June 2019, the Non-Retirement portfolio had a book value of \$81.4 million. Aveo has four active residential projects and one inactive residential project (Currumbin, Gold Coast which is expected to be sold prior to development). Over 85% of the remaining lots are expected to be sold at or above book value in FY20, with all lots expected to be fully sold in FY21. The remaining two land lots, which were designated for commercial and industrial uses and are expected to be subdivided and sold in FY20.

**Table 11: Non-Retirement Land Inventories**

Land Inventories (\$ millions)	Carrying Value
<b>Summary</b>	
Residential Land	60.6
Industrial and Commercial Land	20.8
<b>Total Land value</b>	<b>81.4</b>

*Source: Aveo FY19 Annual Report and KPMG Corporate Finance analysis*

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### 7.9 Financial performance

The financial performance of Aveo for FY16 to FY19 is summarised as follows.

**Table 12: Financial performance of Aveo**

Period	FY16	FY17	FY18	FY19
<b>\$ million unless otherwise stated</b>				
<b>Underlying revenue:<sup>1</sup></b>				
Established Business	148.9	204.1	164.3	168.5
Development (delivered basis)	103.0	165.7	394.4	240.2
Care and Support Services	12.3	15.7	42.0	53.3
<b>Total Retirement</b>	<b>264.2</b>	<b>385.5</b>	<b>600.7</b>	<b>462.0</b>
Non-Retirement	291.7	270.9	185.0	95.3
<b>Underlying revenue<sup>1</sup></b>	<b>555.9</b>	<b>656.4</b>	<b>785.7</b>	<b>557.3</b>
<b>Profit contribution:</b>				
Established Business	58.6	73.8	59.4	47.5
Development (delivered basis) <sup>2</sup>	19.3	25.2	80.6	11.1
Care and Support Services	2.0	1.7	0.8	(1.4)
<b>Total Retirement</b>	<b>79.9</b>	<b>100.7</b>	<b>140.9</b>	<b>57.2</b>
Non-Retirement <sup>2</sup>	55.1	62.7	50.5	33.2
<b>Divisional contribution</b>	<b>135.0</b>	<b>163.4</b>	<b>191.4</b>	<b>90.3</b>
Group marketing costs	-	-	(3.5)	-
Group overheads and incentive scheme	(15.2)	(18.7)	(17.9)	(19.2)
<b>Underlying EBITDA<sup>3</sup></b>	<b>119.8</b>	<b>144.7</b>	<b>169.9</b>	<b>71.1</b>
Depreciation and amortisation expense	(2.7)	(3.4)	(3.0)	(4.7)
<b>Underlying EBIT<sup>4</sup></b>	<b>117.1</b>	<b>141.3</b>	<b>166.9</b>	<b>66.4</b>
Interest and borrowing expense	-	(1.9)	(4.3)	(18.3)
<b>Underlying profit before tax</b>	<b>117.1</b>	<b>139.4</b>	<b>162.6</b>	<b>48.1</b>
Income tax expense	(26.3)	(30.7)	(35.1)	1.6
<b>Underlying profit after tax</b>	<b>90.8</b>	<b>108.7</b>	<b>127.5</b>	<b>49.7</b>
Non-controlling interests <sup>5</sup>	(1.8)	(0.3)	(0.3)	0.4
<b>Underlying NPAT attributable to Aveo securityholders</b>	<b>89.0</b>	<b>108.4</b>	<b>127.2</b>	<b>50.1</b>
Non cash and non recurring items after tax and non-controlling items <sup>6</sup>	27.0	144.4	237.9	(263.5)
<b>Statutory profit after tax attributable to Aveo Securityholders</b>	<b>116.0</b>	<b>252.8</b>	<b>365.1</b>	<b>(213.4)</b>
<b>Statistics:</b>				
Revenue growth - Retirement (%)	76.7%	45.9%	55.8%	(23.1%)
Profit contribution growth - Retirement (%)	na	26.0%	39.9%	(59.4%)
Underlying EBITDA growth (%)	na	20.8%	17.4%	(58.2%)
Underlying EBIT growth (%)	na	20.7%	18.1%	(60.2%)
Profit contribution margin - Retirement (%)	30.2%	26.1%	23.5%	12.4%
Underlying EBITDA margin (%)	21.6%	22.0%	21.6%	12.8%
Underlying EBIT margin (%)	21.1%	21.5%	21.2%	11.9%
Group interest cover ratio (times) <sup>7</sup>	9.0x	7.2x	5.8x	2.6x

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

**Notes:**

- Underlying revenue is revenue for underlying profit as per the AICD Underlying Profit Guidelines as reported in the Directors' Report within the Aveo Annual Reports.
- Includes capitalised interest in COGS.
- Underlying EBITDA is earnings before interest (other than capitalised interest in COGS), tax, depreciation and amortisation, non-cash and non-recurring items and equity accounted investments. Calculated as per the AICD Underlying Profit Guidelines and is presented in the Directors' Reports of the Annual Reports.
- Underlying EBIT is underlying EBITDA after depreciation and amortisation.
- Non-controlling interest relates to a 13.4% interest in Aveo Healthcare Limited.
- Refer to Table 13 of this report.
- Group interest cover ratio is EBITDA divided by interest expense of the consolidated group (12 months rolling).

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The Directors' Reports within the Annual Reports present underlying profit in accordance with the AICD Underlying Profit Guidelines. Revenue for the purpose of calculating underlying profit includes receipts from incoming residents that in the statutory financial statements are treated as an increase in residents' loans and includes development profits that are reflected in the statutory income statement as changes in fair value.

In accordance with its strategy of focusing on Retirement, Aveo experienced strong growth in revenue from Retirement from FY16 to FY18, primarily reflecting growth in Development revenues as substantial new units were delivered (including the delivery of 199 units in Newstead in FY18 at a relatively high margin). Revenue from Care and Support Services increased in line with its strategy of further integrating care within its Retirement portfolio. Revenue from Established Business increased in FY17, however, was lower in FY18 and FY19 reflecting a portfolio sales rate below the long-term target.<sup>111</sup>

The profit contribution of Retirement decreased by 59.4% in FY19, reflecting a further decline in the portfolio sales rate and lower Development profit as a result of a change in product mix, fewer Major Development deliveries compared to FY18 and lower Minor Development settlements as a result of the downturn in the residential property market. Non-Retirement profit contribution also declined as a majority of Non-Retirement assets had been sold in prior years. The financial performance of each of Aveo's segments is described in Sections 7.9.1 to 7.9.4 of this report.

Unallocated corporate costs of \$19.2 million in FY19 includes public company costs, senior management and executives, asset management, occupancy expenses associated with corporate offices and group incentive scheme costs. Group marketing costs in FY18 relates to a corporate brand marketing campaign.

Aveo has identified the following non-cash and non-recurring items.

**Table 13: Aveo non-cash and non-recurring items after tax and non-controlling interests**

Period	FY16	FY17	FY18	FY19
<b>\$ million unless otherwise stated</b>				
Change in fair value of Retirement investment properties	12.3	93.8	177.0	(259.3)
Change in fair value of Non-Retirement investment properties	16.0	11.5	-	(3.9)
Share of non-operating profit/(loss) of equity-accounted	(0.4)	(5.1)	-	-
FAC acquisition costs	(7.9)	2.2	-	-
Fair value gain on FAC deferred consideration	-	3.4	-	5.0
Gain from sale of Non-Retirement asset	5.0	-	-	-
Gain on acquisition of remaining interest in RVG	-	52.6	-	-
Recognition/(derecognition) of deferred tax asset	(0.8)	(8.9)	-	-
Sale of Gasworks	-	-	53.7	6.6
Other	2.8	(5.1)	7.2	(11.9)
<b>Total non cash and non recurring items after tax and non controlling interests</b>	<b>27.0</b>	<b>144.4</b>	<b>237.9</b>	<b>(263.5)</b>

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

For the purpose of determining underlying earnings, changes in the fair value of Retirement and Non-Retirement investment properties have been excluded. Movements in property valuations are discussed in Section 7.10 of this report.

Other non-cash and non-recurring items mainly relate to gains on the sale of the remaining substantial commercial property, Gasworks (FY18 and FY19), (costs)/fair value gains associated with the FAC acquisition (FY16 and FY17), fair value gains on the deferred consideration for FAC (FY17 and FY19) and a gain on the acquisition of the remaining interest in RVG (FY17).

<sup>111</sup> Refer to Section 7.2 of this report.

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Interest and borrowing expense is presented net of capitalised interest. In FY19, interest and borrowing expense of \$18.3 million represents interest and borrowing costs of \$39.3 million, less capitalised interest of \$21.0 million. The substantial increase in interest and borrowing expense in FY19 reflects an increase in borrowings as well as commitment fees and amortisation of facility fees paid in August 2018. Group interest cover ratio declined to 2.6 times in FY19, however, was in excess of covenants (2.0 times).

Aveo's distributions and payout ratios are as follows.

**Table 14: Distributions and payout ratios**

Period	FY16	FY17	FY18	FY19
<b>\$ million unless otherwise stated</b>				
Underlying profit after tax (delivered basis)	89.0	108.4	127.2	50.1
FFO <sup>1</sup>	141.3	163.9	115.4	44.4
AFFO <sup>2</sup>	128.7	136.2	97.4	33.0
Distribution	43.5	52.0	51.9	26.0
Weighted average stapled securities on issue (million)	523.8	572.3	576.9	578.3
Statutory EPS (basic) (cents) <sup>3</sup>	22.1c	44.2c	63.3c	(36.9)c
Underlying EPS (basic) (cents) <sup>4</sup>	17.0c	18.9c	22.0c	8.7c
Distribution per Aveo stapled security (cents)	8.0c	9.0c	9.0c	4.5c
Distribution as a % of underlying profit after tax (delivered)	49%	48%	41%	52%
Distribution as a % of FFO	31%	32%	45%	59%
Distribution as a % of AFFO	34%	38%	53%	79%

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

1. Funds from Operations. Defined in accordance with the Property Council of Australia guidelines. Major Development sales are reflected on a settlement basis.
2. Adjusted Funds from Operations. Defined in accordance with the Property Council of Australia guidelines. Major Development sales are reflected on a settlement basis.
3. Statutory EPS (basic) is calculated by dividing statutory net profit after tax attributable to the members of the parent entity by the weighted average number of stapled securities outstanding during the year.
4. Underlying EPS (basic) is calculated by dividing underlying profit after tax attributable to the members of the parent entity by the weighted average number of stapled securities outstanding during the year.

Aveo has previously adopted a policy of distributing between 40% and 60% of underlying profit (delivered basis). In FY16 and FY17, distributions were towards the mid-point of this range. In FY18, distributions were at the low end of this range, however, represented a greater proportion of FFO and AFFO (which are on a settlement basis), reflecting the delay in the sale of development units in FY18. In determining an appropriate distribution for FY19, the Board has had regard to Aveo's free cash flow, as measured by AFFO. The distribution of 4.5 cents represents 52% of underlying profit and 79% of AFFO.

Income is primarily generated through Aveo Group Trust which, as a unit trust, is not subject to corporate income tax on passive income (such as DMF/CG revenue) provided its unitholders are presently entitled to its income. Any tax allowances for building and plant and equipment are distributed to unitholders in the form of a tax-deferred component of distributions.

Profits from development are subject to tax at 30% but after corporate costs, depreciation allowances and other adjustments, tax expense is lower. Accordingly, the tax expense for Aveo Group is minimal (less than 22% in FY17 and FY18) and distributions are unfranked.

As at 30 June 2019, Aveo had the following deferred tax losses:

- \$1,266.3 million of losses, for which a deferred tax asset of \$379.9 million was recognised (at a 30% Australian tax rate), including \$343 million in Aveo Group and \$37 million in Aveo Healthcare, and
- \$265.9 million of unused tax losses for which no deferred tax asset was recognised (a potential tax benefit of \$79.8 million at a 30% tax rate), mainly related to Australian capital losses.

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A significant contributor to current and accumulated tax losses is the conversion from older style contracts (which give rise to tax payable on receipt and a tax deduction on termination) to newer style contracts including the Aveo Way (under which no tax is payable or deductible).

### 7.9.1 Established Business financial performance

The financial performance of Established Business for FY16 to FY19 is summarised below.

**Table 15: Financial performance of Established Business**

Period	FY16	FY17	FY18	FY19
<b>\$ million unless otherwise stated</b>				
<b>Key drivers:</b>				
Number of DMF/CG generating transactions	757	1,177	785	730
Number of buyback sales	(131)	(226)	(186)	(216)
Average DMF/CG transaction value	287	358	381	382
Average Buyback transaction value	331	307	324	327
Average DMF/CG margin (%)	31.4%	27.3%	27.4%	27.6%
Average Buyback margin (%)	1.4%	10.1%	5.6%	3.7%
<b>Revenue:</b>				
<b>DMF/CG:</b>				
Resales	55.5	85.1	55.3	47.2
Operating buyback purchases	12.5	25.0	25.2	28.7
FAC conversion	-	4.9	3.0	1.0
<b>Gross DMF/CG</b>	<b>68.0</b>	<b>115.0</b>	<b>83.5</b>	<b>76.9</b>
<b>Other revenue:</b>				
Buyback sales	43.3	69.5	60.2	70.6
Other revenue	15.3	19.6	20.6	20.9
RVG	22.3	-	-	-
<b>Total other revenue</b>	<b>80.9</b>	<b>89.1</b>	<b>80.8</b>	<b>91.6</b>
<b>Total revenue</b>	<b>148.9</b>	<b>204.1</b>	<b>164.3</b>	<b>168.5</b>
<b>Profit contribution:</b>				
Net DMF/CG	57.0	105.7	75.0	67.4
Net buyback sales	0.6	7.3	3.4	2.6
Other income	24.9	19.7	20.6	20.9
Net RVG contribution	9.0	-	-	-
Marketing expenses	(12.8)	(14.0)	(9.1)	(14.2)
Commission expenses	-	(5.4)	(4.7)	(3.8)
Other expenses	(20.1)	(39.5)	(25.8)	(25.6)
<b>Total profit contribution</b>	<b>58.6</b>	<b>73.8</b>	<b>59.4</b>	<b>47.5</b>
Depreciation and amortisation expense	(1.0)	(2.1)	(0.5)	(1.0)
<b>EBIT</b>	<b>57.6</b>	<b>71.7</b>	<b>58.9</b>	<b>46.5</b>
<b>Statistics:</b>				
Gross DMF/CG revenue growth (%)	19.1%	69.1%	(27.4%)	(7.9%)
Buyback sales revenue growth (%)	85.0%	60.5%	(13.4%)	17.3%
Revenue growth (%)	35.7%	37.1%	(19.5%)	2.6%
Profit contribution growth (%)	na	25.9%	(19.5%)	(20.0%)
EBIT growth (%)	na	24.5%	(17.9%)	(21.1%)
Profit contribution margin (%)	39.4%	36.2%	36.2%	28.2%
EBIT margin (%)	na	35.1%	35.8%	27.6%

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

Notes:

1. FY16 results include share of profit of, and fees charged to RVG. FY17 revenue excludes these items but includes 100% of RVG revenue from 1 July 2016. Profit contribution is after allowing for minority's share of RVG until 24 August 2016, when RVG became a wholly owned subsidiary.
2. Other revenue includes sales commissions and village administration fees.

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### Key drivers of DMF/CG revenue

In relation to the key drivers for DMF/CG revenue, the following is noted:

- **number of DMF/CG generating transactions:** the composition of DMF/CG generating transactions from FY16 to FY19 is presented as follows.

**Table 16: Number of DMF/CG generating transactions**

Period	FY16	FY17	FY18	FY19
Total existing portfolio	10,968	11,222	11,717	12,119
<b>DMF/CG generating transactions:</b>				
Resales	605	782	436	399
Operating buyback purchases	152	309	284	295
FAC conversion	-	86	65	36
<b>Total DMF/CG generating transactions</b>	<b>757</b>	<b>1,177</b>	<b>785</b>	<b>730</b>
Portfolio sales rate <sup>1</sup>	11.9%	10.9%	7.5%	6.9%
Operating buyback purchases as a % of existing portfolio	1.4%	2.8%	2.4%	2.4%
<b>Composition of operating buyback purchases:</b>				
Discretionary		214	120	56
Internal transfers		22	24	26
Mandatory		73	140	213
<b>Total operating buyback purchases</b>	<b>152</b>	<b>309</b>	<b>284</b>	<b>295</b>
Money back guarantee buyback	-	-	14	46
<b>Total buyback purchases</b>	<b>152</b>	<b>309</b>	<b>298</b>	<b>341</b>

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

Note 1: Portfolio sales rate is DMF/CG generating transactions divided by total existing units in the portfolio, excluding new units within last five years and including FAC Minor Development sales (FAC conversions).

The number of DMF/CG generating transactions increased by 55.5% in FY17 reflecting an increase in resales in a buoyant residential property market and full year impact of the FAC and RVG acquisitions, a significant increase in buyback purchases as part of the active asset improvement program and an increase in buybacks to facilitate the rollout of the FAC model across 12 Aveo communities. Despite the increase in transactions, the portfolio sales rate declined slightly reflecting the addition of new assets to the portfolio in FY16.

In FY18 and FY19, transactions declined by 33.3% and 7.0% respectively reflecting a decrease in resales (impacted by the downturn in the residential property market and negative press on Aveo and the industry), broadly stable operating buyback purchases (as a significant increase in mandatory buybacks arising from Aveo Way contracts and Queensland mandatory buyback legislation which took effect from 1 May 2019 and resulted in 73 buybacks in FY19 was offset by a reduction in discretionary buybacks to limit the build-up of stock) and fewer FAC conversion buybacks to manage working capital. The portfolio sales rate in FY18 and FY19 was below the long-term target range (10% to 12%<sup>112</sup>) at 7.5% and 6.9%, respectively

- **average DMF/CG transaction values:** increased by 24.7% in FY17 coinciding with the peak in residential property prices (Sydney: July 2017 and Melbourne: November 2017) (refer to Section 6 of this report) and reflecting the inclusion of the RVG communities which are mostly located in higher value Sydney and Melbourne suburbs. In FY18, average transaction value increased by 6.4% reflecting an increase in the proportion of FAC SAs, which have a higher transaction value. In FY19, transaction values remained steady as the impact of the downturn in the residential property market was offset by an increase in the proportion of FAC SAs, and

<sup>112</sup> Refer to Section 7.2 of this report.

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- **DMF/CG margins:** declined in FY17 to 27.3% as RVG resident contracts have inferior terms relative to the Aveo Way contracts, then remained steady (below the long-term target of 30%<sup>113</sup>). Continued adoption of the Aveo suite of contracts will contribute to margin growth in future.

**Key drivers of buyback sales**

- **number of buyback sales transactions:** from FY16 to FY19 is presented as follows.

**Table 17: Number of net buybacks (excludes buybacks for FAC conversions)**

Period	FY16	FY17	FY18	FY19
Buyback purchases	152	309	298	341
Buyback sales	(131)	(226)	(186)	(216)
Net buybacks	21	83	112	125

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

Buyback sales increased substantially in FY17 as the higher levels of buyback stock acquired as part of the active asset improvement program were sold to incoming residents in a buoyant market. Buyback stock represented 2.6% of the portfolio. Buyback sales volumes declined by 17.7% in FY18 as a result of the downturn in the residential market and negative press regarding Aveo and the industry, while buyback purchases decreased by only marginally and buyback stock increased to 3.0% of the portfolio. In FY19, buyback sales increased by 16.1%, however, were well below the level of buyback purchases, resulting in an increase in the level of stock to 487 units at 30 June 2019 (4.0% of the portfolio) and a decrease in portfolio occupancy to 87%.

Deposits on hand represent fully refundable payments from new residents. Deposits increased in FY19 as residents had difficulty selling their houses given the downturn in the residential property market.

- **buyback transaction values:** average buyback transaction value increased by 5.5% in FY18 and increased marginally in FY19 as the deterioration in the wider property market was offset by the impact of a greater share of FAC SAs, and
- **buyback margin:** buyback margins were at the low end of the long-term target range of 5% to 10%<sup>114</sup> in FY18 and below the range in FY19 as the increase in transaction values was outweighed by the impact of higher holding costs (i.e. vacant unit levies).

**Revenue and contribution margin**

These trends in the key drivers resulted in the following movements in Established Business revenue and contribution margin:

- DMF/CG revenue increased by 69.1% in FY17 mainly as a result of the 55.5% increase in the number of DMF/CG generating transactions (reflecting the full year contribution of FAC and consolidated results of RVG from 1 July 2016) as well as a 24.7% increase in average value of DMF/CG generating transactions, despite a lower margin
- the decline in DMF/CG revenues by 27.4% in FY18 and 7.9% in FY19 reflects the decline in the number of DMF/CG generating transactions with transaction values increasing in FY18 then remaining flat in FY19 and margins declining marginally due to the contract mix on mandatory buyback and unfavourable DMF/CG terms. Total revenue increased in FY19 as a result of the increase in buyback sales

<sup>113</sup> Refer to Section 7.2 of this report.

<sup>114</sup> Refer to Section 7.2 of this report.

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- the profit contribution from buybacks sales decreased in FY18 and FY19 as higher holding costs (i.e. vacant unit levies) outweighed an increase in transaction values
- expenses in FY17 include a full year contribution of the FAC acquisition and consolidation of RVG from 1 July 2016. The decrease in contribution margin in FY17 mainly reflects the consolidation of RVG (whereas RVG was previously equity accounted) as well as lower DMF/CG margin on RVG contracts
- expenses were lower in FY18 as marketing and commission expenses declined in line with lower sales volumes and management focused on general cost control, resulting in a slight increase in contribution margin, and
- in FY19, revenue remained steady, however, expenses increased as a result of higher village related costs and higher marketing expenses related to the national TV advertising campaign that finished in May 2019, reducing contribution margin.

### 7.9.2 Development financial performance

The financial performance of Development for FY16 to FY19 is summarised below.

**Table 18: Financial performance of Development**

Period	FY16	FY17	FY18	FY19
<b>\$ million unless otherwise stated</b>				
<b>Key drivers:</b>				
Major Developments delivered (units)	182	266	506	419
Minor Developments sold (units)	-	80	127	75
Average Major Developments transaction value - delivered (\$'000)	566.0	520.0	652.0	478.0
Average Minor Developments transaction value (\$'000)	na	343.0	508.0	533.0
Average Major Developments margin - delivered (%)	22.0%	19.0%	28.0%	21.0%
Average Minor Developments margin (%)	na	47.0%	43.0%	40.0%
Major Development revenue	102.9	138.2	329.8	200.2
Minor Development revenue	-	27.5	64.6	40.0
<b>Revenue</b>	<b>103.0</b>	<b>165.7</b>	<b>394.4</b>	<b>240.2</b>
Cost of goods sold	(80.7)	(126.5)	(274.3)	(182.4)
Major Development gross profit	22.3	26.3	92.3	41.8
Minor Development gross profit	-	12.9	27.8	15.9
<b>Gross profit</b>	<b>22.3</b>	<b>39.2</b>	<b>120.1</b>	<b>57.7</b>
Marketing expenses		(8.4)	(16.3)	(18.3)
Other expenses		(5.7)	(23.3)	(28.3)
<b>Profit contribution</b>	<b>19.3</b>	<b>25.2</b>	<b>80.6</b>	<b>11.1</b>
Depreciation	-	-	(0.1)	(0.1)
<b>EBIT</b>	<b>19.3</b>	<b>25.2</b>	<b>80.5</b>	<b>10.9</b>
<b>Statistics:</b>				
Sales revenue growth (%)	269.2%	60.9%	138.0%	(39.1%)
Profit contribution growth (%)	503.1%	30.6%	220.0%	(86.3%)
EBIT growth (%)	503.1%	30.6%	219.4%	(86.5%)
Gross margin (%)	21.7%	23.7%	30.5%	24.0%
Profit contribution margin (%)	18.7%	15.2%	20.4%	4.6%
EBIT margin (%)	18.7%	15.2%	20.4%	4.5%

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

#### Key drivers

In relation to the key drivers for Development, the following is noted:

- **number of developments:** Aveo has undertaken substantial development activities since FY16, with the number of Major Development units delivered increasing strongly in FY17 and FY18. Major

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Development deliveries were lower in FY19 and are expected to be scaled back further in FY20 as sales have not kept pace with supply. Minor Developments commenced in FY17 with the acquisition of FAC in February 2016. In FY19, Minor Development settlements were lower than in FY18 as a result of the downturn in the residential property market

- **transaction values:** from FY16 to FY18, Major Development transaction values (delivered basis) increased by 15.2% then decreased by 26.7% in FY19, mainly reflecting a change in product mix. Minor Development transaction values increased by 48.1% in FY18, then increased moderately by 4.9% in FY19. Growth in transaction values for Minor Developments has generally outperformed growth for Major Developments as a result of higher realisations from FAC conversions, and
- **margins:** margins for major and Minor Developments increased to above the long-term target ranges (Major Development: 16% to 20%, Minor Development: 35% to 40%<sup>115</sup>) in FY18 as a result of growth in property values and the Development team limiting cost overruns, then decreased in FY19 to approximately the high end of the long-term target rate as property values declined.

#### **Revenue, gross margin and contribution margin**

These trends in the key drivers resulted in the following movements in Development revenue and contribution margin:

- increases in development activity and strong increases in transaction values for both major and Minor Developments resulted in substantial increases in revenue (delivered basis) in FY17 and FY18. FY18 includes the impact of the delivery of 199 units at Newstead at a relatively high margin. Revenue declined in FY19 as a result of change in product mix and as Aveo scaled back development activities in response to the slowdown in the Australian residential property market and build-up of stock
- gross margins increased from FY16 to FY18 as a result of an increase in the share of Minor Developments (which have a higher margin than the Major Developments) and an increase in the margin on Major Developments. In FY19, gross margin declined as margins declined across both major and Minor Developments, and
- in FY19, contribution margin declined from 20.4% to 4.6% reflecting the decline in gross margin, an increase in vacant unit levies (as developed properties remained unsold) and higher marketing expenses.

#### **Adjustment to settlement basis**

In calculating underlying profit, Aveo recognises revenue from Major Development units on a delivered basis. Effective from 1 July 2019, the timing of recognition of revenue in underlying profit for Major Development units will be changed from a delivery to a settlement basis. This will result in revenue and profit on Major Developments being recognised on a cash basis in the underlying profit and is consistent with the financial statements of other participants in the industry. Settlement units that were delivered in prior periods result in an adjustment to reverse the profit previously recognised when the unit was delivered.

<sup>115</sup> Refer to Section 7.2 of this report.

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**Table 19: Financial performance of Development on a settlement basis**

Period	FY16	FY17	FY18	FY19
<b>\$ million unless otherwise stated</b>				
Major Developments sold (units)	63	154	225	211
Average Major Developments transaction value - sold (\$'000)	413.0	539.0	622.0	589.0
Average Major Development margin - sold (%)		20.5%	24.1%	24.1%
Major Development revenue (settlement basis)		83.0	139.9	124.2
Minor Development revenue		27.5	64.6	40.0
<b>Revenue</b>		<b>110.5</b>	<b>204.5</b>	<b>164.2</b>
Major Development cost of goods sold		(66.0)	(106.2)	(94.4)
<b>Major Development gross profit</b>		<b>17.0</b>	<b>33.7</b>	<b>29.9</b>
Minor Development gross profit		12.9	27.8	15.9
<b>Gross profit</b>		<b>29.9</b>	<b>61.4</b>	<b>45.8</b>
Marketing expenses		(8.4)	(16.3)	(18.4)
Other expenses		(5.7)	(24.8)	(28.4)
<b>Profit contribution (settlement basis)</b>		<b>15.9</b>	<b>20.3</b>	<b>(1.0)</b>
<b>Statistics:</b>				
Revenue growth		na	85.0%	(19.7%)
Profit contribution margin		14.4%	9.9%	(0.6%)

Source: Aveo Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

In all years, revenue on a settlement basis was lower than revenue on a delivered basis. In FY16 to FY18, settlements lagged deliveries as Aveo ramped up development activities. In FY19, although Aveo scaled back development activities, settlements did not keep pace with supply as a result of the slowing residential property market.

This resulted in an increase in the level of Major Development stock to 777 units as at 30 June 2019, which represents approximately two years of unit sales. In addition, Aveo had 293 units of Minor Development stock at 30 June 2019.

**Table 20: Major Development stock**

Period	FY16	FY17	FY18	FY19
<b>\$ million unless otherwise stated</b>				
Delivered (units)	182	266	506	419
Sold (units)	(63)	(154)	(225)	(211)
Net increase in stock	119	112	281	208
Opening units	58	177	289	569
Closing units	177	289	570	777

Source: Directors' Reports in Annual Reports and Aveo Annual Reports for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis. Closing units in FY19 reflects reconfiguration of one site.

The decline in revenue on a settlement basis in FY19 reflects the slowdown in the Australian residential property market. On a settlement basis, contribution margin was negative.

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### 7.9.3 Care and Support Services financial performance

The financial performance of Care and Support Services for FY16 to FY19 is summarised below.

**Table 21: Financial performance of Care and Support Services**

Period	FY16	FY17	FY18	FY19
<b>\$ million unless otherwise stated</b>				
<b>Key drivers:</b>				
Revenue per bed (\$)		272	261	172
Number of beds	184	307	406	406
Average RACF Occupancy (%) <sup>1</sup>	92%	93%	97%	96%
<b>Revenue:</b>				
RACF	10.7	11.0	17.8	24.9
Allied Health	0.2	0.2	0.7	1.2
Other	1.4	4.5	23.5	27.2
<b>Total revenue</b>	<b>12.3</b>	<b>15.7</b>	<b>42.0</b>	<b>53.3</b>
<b>Profit contribution:</b>				
RACF	1.7	2.6	2.2	2.2
Allied Health	0.2	0.2	(0.1)	0.4
Other	0.1	(1.1)	(1.3)	(4.0)
<b>Total profit contribution</b>	<b>2.0</b>	<b>1.7</b>	<b>0.8</b>	<b>(1.4)</b>
<b>Total profit contribution excluding Allied Health<sup>2</sup></b>	<b>1.8</b>	<b>1.5</b>	<b>0.9</b>	<b>(1.8)</b>
Depreciation and amortisation expense	(0.7)	(0.6)	(1.7)	(2.8)
<b>EBIT</b>	<b>1.3</b>	<b>1.1</b>	<b>(0.9)</b>	<b>(4.2)</b>
<b>Statistics:</b>				
Sales revenue growth (%)	3.4%	27.6%	167.5%	26.9%
Profit contribution growth (%)	66.7%	(15.0%)	(52.9%)	(275.0%)
EBIT growth (%)	na	(15.4%)	(181.8%)	366.7%
Profit contribution margin (%)	16.3%	10.8%	1.9%	(2.6%)
EBIT margin (%)	10.6%	7.0%	(2.1%)	(7.9%)

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17 FY18 and FY19 and KPMG Corporate Finance analysis

Notes:

- Occupancy excludes Newstead occupancy rates (opened in May 2018)
- Allied Health business is an equity accounted investment.

Care and Support Services' revenue has grown strongly since FY16 as Aveo has pursued its strategy of growing its aged care portfolio and offering additional care services to RC residents (including the introduction of Food and Nutrition services in FY17 and Home Care services in FY18).

Growth in aged care revenue reflects the addition of facilities at Durack (123 beds) in FY17 and Newstead (99 beds) in FY18, resulting in the total beds increasing from 184 at 30 June 2016 to 406 at 30 June 2019. Revenue per occupied bed is primarily determined by the subsidy composition of residents under the ACFI scheme and declined in FY18 and FY19 as a result of the change in composition of services required by aged care residents within the facilities and ACFI funding changes. Bed occupancy has fluctuated between 92% and 97% as new developments are completed. Profit contribution is expected to increase in future years as the new sites achieve normalised occupancy rates.

The overall profit contribution from Care and Support Services has declined from FY16 to FY19, with the positive contributions from Aged Care and Allied Health being offset by the increasing negative contributions from other ancillary services. Aged Care profit contribution has declined in recent years due to the impact of setting up new facilities and incurring initial set up costs for new facilities. Allied Health has remained profitable, as Aveo only owns 50% of the Allied Health businesses, and thus are operated on a profitable basis as opposed to cost recovery basis. However, the growth in the operations of Food and Nutrition services has increased the losses from other ancillary services, as the initial set up costs for new restaurants has caused the division to remain unprofitable. It is expected that the other ancillary

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services will remain profit contribution neutral in the future, as they are operated on a 'break-even' basis (refer to Section 7.7 of this report).

### 7.9.4 Non-Retirement financial performance

The financial performance of Non-Retirement for FY16 to FY19 is summarised below.

**Table 22: Financial performance of Non-Retirement segment**

Period	FY16	FY17	FY18	FY19
<b>\$ million unless otherwise stated</b>				
<b>Key drivers:</b>				
Contracts on hand at period end (\$ million)	253.0	160.0	80.3	24.8
Inventories at period end (\$ million)	275.3	170.3	95.2	81.4
Sales revenue	277.7	255.7	177.6	95.3
Rental income	14.0	15.2	7.4	-
<b>Total revenue</b>	<b>291.7</b>	<b>270.9</b>	<b>185.0</b>	<b>95.3</b>
<b>Development profit:</b>				
Sales revenue	277.7	255.7	177.6	95.3
Cost of goods sold	(223.2)	(189.7)	(128.1)	(52.6)
<b>Gross development profit</b>	<b>54.5</b>	<b>66.0</b>	<b>49.5</b>	<b>42.6</b>
Marketing expenses	(2.8)	(3.4)	(2.0)	(1.7)
Other expenses	(7.4)	(8.7)	(5.7)	(8.6)
<b>Development profit contribution</b>	<b>44.3</b>	<b>53.9</b>	<b>41.8</b>	<b>32.3</b>
Net rental income and other income	10.8	8.9	8.7	0.9
<b>Profit contribution</b>	<b>55.1</b>	<b>62.7</b>	<b>50.5</b>	<b>33.2</b>
Depreciation	(0.1)	(0.1)	-	-
<b>EBIT</b>	<b>55.0</b>	<b>62.6</b>	<b>50.5</b>	<b>33.2</b>
<b>Statistics:</b>				
Sales revenue growth (%)	45.2%	(7.9%)	(30.5%)	(46.3%)
EBITDA growth (%)	66.5%	13.8%	(19.5%)	(34.3%)
EBIT growth (%)	66.7%	13.8%	(19.3%)	(34.3%)
Gross margin (%)	19.6%	25.8%	27.9%	44.7%
EBITDA margin (%)	19.8%	24.5%	28.4%	34.8%
EBIT margin (%)	19.8%	24.5%	28.4%	34.8%

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

Aveo has generated substantial earnings from the sell down of Non-Retirement assets. Non-Retirement revenue has been declining since FY16, as Aveo has continued to sell down the portfolio in line with its strategy. FY20 is expected to be the final year in which the segment generates any significant revenue, with the majority of remaining lots expected to be sold in FY20.

The gross profit margin increased from 19.6% in FY16 to 44.7% in FY19, reflecting the ability of Aveo to sell its assets at above book value, notwithstanding moderate discounting of sales prices introduced in FY19 to align with market expectations and the slowing Australian east coast property market.

Net rental income has also continued to decline, with only \$0.9 million reported in FY19, as the portfolio is divested, significantly reducing the rental asset base. Net rental income is expected to reduce to zero after FY20.

Profit contribution margin increased in FY19 by less than contribution margin as a result of higher other expenses and lower net rental income.



## 7.10 Financial position

The financial position of Aveo as at 30 June 2016, 2017, 2018 and 2019 is summarised below.

**Table 23: Financial position of Aveo**

As at	30 June	30 June	30 June	30 June
\$ million unless otherwise stated	2016	2017	2018	2019
Receivables	123.1	114.6	247.2	177.8
Trade and other creditors <sup>1</sup>	(110.8)	(123.4)	(183.3)	(178.0)
Other provisions	(13.8)	(8.6)	(13.7)	(14.5)
<b>Net working capital</b>	<b>(1.5)</b>	<b>(17.4)</b>	<b>50.2</b>	<b>(14.7)</b>
Investment properties	3,330.8	5,505.5	6,158.9	6,117.7
Resident loans	(1,525.4)	(2,797.7)	(2,960.6)	(3,029.8)
Deferred revenue	(115.4)	(204.2)	(266.8)	(329.0)
Deferred payment for development land	(62.3)	(62.5)	(54.7)	(50.5)
<b>Investment properties</b>	<b>1,627.7</b>	<b>2,441.1</b>	<b>2,876.8</b>	<b>2,708.4</b>
Non-Retirement inventories	275.3	170.3	95.2	81.4
Equity accounted investments	301.8	23.2	-	-
Property, plant and equipment	23.7	89.6	138.5	143.8
Intangibles	4.9	4.7	4.8	3.2
Derivative	-	-	-	1.0
Provision for distributions	(43.5)	(52.0)	(51.9)	(26.0)
Deferred tax liabilities	(100.9)	(154.9)	(198.8)	(112.6)
<b>Total funds employed</b>	<b>2,087.5</b>	<b>2,504.6</b>	<b>2,914.8</b>	<b>2,784.5</b>
Cash and cash equivalents	34.9	47.2	71.0	53.3
Interest bearing liabilities	(462.0)	(573.1)	(687.7)	(787.5)
<b>Net debt</b>	<b>(427.1)</b>	<b>(525.9)</b>	<b>(616.7)</b>	<b>(734.2)</b>
<b>Net assets</b>	<b>1,660.4</b>	<b>1,978.7</b>	<b>2,298.1</b>	<b>2,050.3</b>
Non-controlling interest <sup>2</sup>	(32.4)	(30.7)	(31.8)	(24.5)
<b>Net assets attributable to Aveo Securityholders</b>	<b>1,628.0</b>	<b>1,948.0</b>	<b>2,266.3</b>	<b>2,025.8</b>
<b>Statistics:</b>				
Stapled securities on issue at period end (million)	541.1	577.3	577.0	580.7
Net assets per stapled security (\$) <sup>3</sup>	3.01	3.37	3.93	3.49
NTA per stapled security (\$) <sup>4</sup>	3.00	3.37	3.92	3.50
Group gearing ratio <sup>5</sup>	17.4%	16.9%	16.8%	21.3%

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

**Notes:**

- Excludes \$50.5 million deferred payment for development land, which is offset against investment properties.
- Non-controlling interest relates to a 13.4% interest in Aveo Healthcare.
- Net assets per Aveo Security is calculated as net assets divided by the number of Aveo Securities at period end.
- NTA per Aveo Security is calculated as net asset less intangible assets, divided by the number of Aveo Securities at period end.
- Group gearing ratio is net debt divided by total assets less cash and resident loans.

Aveo's working capital requirement was higher at 30 June 2018 as receivables increased as a result of an increase in deferred payment arrangements (mainly involving allowing new residents to move into units three to six months prior to full payment), and the sale of Aveo China, partially offset by an increase in trade and other creditors (including growth in refundable accommodation bonds to \$37.0 million), then decreased at 30 June 2019 as receivables declined due to the recovery of deferred payment arrangements, a reduction in holding costs and settlement of Milton. Trade and other creditors of \$178.0 million at 30 June 2019 includes refundable accommodation bonds (\$64.3 million) and payment for the FAC acquisition (\$2.9 million).

### 7.10.1 Investment properties

Retirement investment properties represent the most substantial asset on Aveo's balance sheet (85.5% of total assets at 30 June 2019) and comprise a combination of:

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### Established Business

- **units that have been leased or sold.** The assessed fair value of units represents the future cash flows expected to be derived from the resident contracts and does not represent the full underlying value of the properties.<sup>116</sup> Fair value is determined by Directors' valuations using a discount cash flow (DCF) methodology based on projected cash flows using resident contracts, resident entry dates, entry prices and the current market value of individual retirement units. In addition, a rolling program of external valuations is undertaken so that each unit is benchmarked against independent values every three years. During the intervening period, management assesses the value of individual units on a six monthly basis to incorporate current pricing and market conditions. All of the Established Business portfolio was independently valued as at 30 June 2019
- **operating buyback units** that are unsold are valued at market value based on recent unit transaction prices
- **US Seniors**, valued by Directors based on offer prices received in the recent sale process and cross checked utilising a capitalisation rate methodology

### Development

- **Major Development units under construction**, recorded at cost less impairments. Given the requirement to fair value the asset balance, this value is cross-checked based on Directors' valuations determined using a DCF methodology. As a further cross-check, the Major Development portfolio under construction were independently valued as at 30 June 2019. Major Development properties under construction are presented net of \$50.5 million deferred payment for development land as at 30 June 2019
- **completed Major Development units available for first occupancy** are valued by Directors based on prices paid for pre-sales, and
- **Minor Development units** are recognised at cost.

It is important to note that similar to other RC operators, cash flows utilised to derive the valuations of the assets do not include certain allocated and unallocated expenses which are required to operate a portfolio of RCs. These include:

- Established Business expenses including general overheads, marketing salaries and wages, Freedom Care Plan and General Service Charge deficits, subsidies and food services shortfalls, other indirect costs and administration fee income
- Development expenses, including general overheads and new sales overheads
- general overheads within Care and Support Services, and
- unallocated corporate expenses and group incentives.

The book value of Aveo's investment properties from 30 June 2016 to 30 June 2019 is set out as follows.

<sup>116</sup> In the statutory balance sheet, the carrying value of the properties is grossed up by the recognised resident loans as Aveo considers that the risks and rewards of ownership have not been transferred to residents (regardless of the legal form of title granted to the resident, which may be free hold or leasehold) and deferred revenue. The fair value of resident loans as reflected in the balance sheet is the amount payable on demand and is measured at the principal amount plus the residents' share of any increases in the market value to reporting date less DMF revenue contractually accruing to the reporting date. Resident loans are non-interest bearing and are payable at the end of the resident contract. Deferred revenue represents the excess of DMF revenue to which Aveo is contractually entitled at reporting date over DMF revenue earned to date by amortisation over the expected period of tenure.

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**Table 24: Book value of investment properties**

As at	30 June 2016	30 June 2017	30 June 2018	30 June 2019
\$ million unless otherwise stated	Audited	Audited	Audited	Audited
<b>Established Business:</b>				
Net present value of annuity streams - units sold or leased	1,151.6	1,695.3	1,991.9	1,797.2
US Seniors	-	-	57.5	49.3
Operating buyback units	33.5	75.3	118.6	159.8
<b>Total Established Business</b>	<b>1,185.1</b>	<b>1,770.6</b>	<b>2,168.0</b>	<b>2,006.3</b>
<b>Development:</b>				
<i>Major Development:</i>				
Investment property under construction	180.8	266.0	285.1	206.8
New units available for first occupancy	100.1	156.6	346.8	423.8
<b>Total Major Development</b>	<b>280.9</b>	<b>422.6</b>	<b>631.9</b>	<b>630.6</b>
Minor Development units	10.2	66.4	76.9	74.6
<b>Total Development</b>	<b>291.1</b>	<b>489.0</b>	<b>708.8</b>	<b>705.2</b>
<b>Retirement</b>	<b>1,476.2</b>	<b>2,259.6</b>	<b>2,876.8</b>	<b>2,711.5</b>
Commercial and retail properties <sup>1</sup>	151.5	181.5	-	-
<b>Total book value</b>	<b>1,627.7</b>	<b>2,441.1</b>	<b>2,876.8</b>	<b>2,711.5</b>

Source: Directors' Reports in Annual Reports and Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

Note 1: Commercial and retail properties held for investment.

The book value of operating buyback units has increased as a number of properties in Established Business remain unsold. Similarly, the increase in the book value of Major Development units available for first occupancy and Minor Development units reflects that a number of development units are unsold.

**Established Business portfolio (units leased or sold)**

Growth in the book value of Established Business portfolio from 30 June 2016 to 30 June 2018 reflects:

- delivery of new units, creating new DMF/CG income streams, through development opportunities and acquisitions (FAC in FY16, RVG in FY17 and US Seniors in FY18)
- growth in average property value per unit reflecting:
  - growth in property prices over time
  - capital expenditure on the Established Business portfolio
  - uplift in valuations of RCs being valued using higher margin Aveo Way as the standard contract
  - uplift from RCs being valued assuming FAC SA pricing and contract assumptions, and
  - reduction in the ex-RVG portfolio discount rate at 30 June 2018 to reflect the higher degree of control associated with leasehold properties.

From 30 June 2017 to 30 June 2018, these factors were partially offset by lower property price growth assumed in the short-term and a 0.5% to 0.75% increase in the discount rate for regional and secondary market RCs, respectively.

From 30 June 2018 to 30 June 2019, book value decreased by \$195 million to \$1,797 million as a result of market related factors, including 3.8% lower unit pricing based on a review of stock levels and market conditions (\$93 million) and more conservative property price growth assumptions adopted (\$282 million). Changes in assumptions include:

- slightly higher discount rate of 12.5% to 15.5% (12.5% to 15.25% at 30 June 2019)
- 0% growth in short-term (1.75% as at 30 June 2018) and lower medium-term and long-term growth. Overall, 20 year average growth of 3.38% (3.96% at 30 June 2018), and

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- slightly longer settlement period on SAs (0.8 years, compared with 0.5 years at 30 June 2018).

These factors were partially offset by management driven initiatives, including continued delivery of new units (\$59 million), an update of resident data (\$44 million), continued rollout of Aveo Way contracts<sup>117</sup> (\$32 million) and FAC conversions<sup>118</sup> (\$62 million). Aveo management expects management driven initiatives to increase portfolio value by \$50 million in FY20.<sup>119</sup>

The Directors' valuation assumptions from 30 June 2016 to 30 June 2019 are summarised as follows.

**Table 25: Directors' valuation assumptions**

As at	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Discount rate	12.5% to 14.5%	12.5% to 14.5%	12.5% to 15.25%	12.5% to 15.5%
<b>Aggregate current market value of individual retirement units (\$ million):</b>				
Total	2,438.7	4,364.0	5,061.3	5,137.2
<b>Property price growth:</b>				
Short-term (Year 1)			1.75%	-
Medium-term (Years 2-4)	3.5% to 4.0%	3.5% to 4.0%	3.5% to 4.0%	ILU and FAC SA: 3%-3.5% SA: 2%-2.5%
Long-term (Year 5 onwards)	3.5% to 4.25%	3.5% to 4.25%	3.5% to 4.25%	ILU: 3.75% FAC SA: 3.5% SA: 2.5%
<b>Initial resident tenure including settlement period - new units (years):</b>				
ILUs			13.5	13.5
SAs			5.5	5.8
<b>Subsequent resident tenure excluding settlement period (years):</b>				
ILUs	10.0	10.0	10.0	10.0
SAs	4.0	4.0	4.0	4.0
FAC SAs			4.0	4.0
<b>Subsequent resident tenure including settlement period (years):</b>				
ILUs			10.5	10.5
SAs			4.5	4.8
FAC SAs			4.5	4.5

Source: Aveo Annual Reports and Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis

Note: Assumed tenure at each valuation date is based on resident data as at 30 April.

### 7.10.2 Non-Retirement inventories

Non-Retirement inventories represented less than 3% of Aveo's total assets as at 30 June 2019.

Inventories are carried at the lower of cost and net realisable value. Refer to Section 7.8 of this report for a breakdown of Non-Retirement inventories.

### 7.10.3 Other items

As at 30 June 2019, property, plant and equipment includes \$140.5 million related to Care and Support Services (\$97.2 million of RACFs, most of the \$38.8 million of freehold buildings,<sup>120</sup> \$3.8 million of

<sup>117</sup> Valuations assume that for RCs where 20% of residents have adopted Aveo Way as the standard contract, all residents at that RC will roll onto the Aveo Way contracts in future. At 30 June 2019, 53 out of 74 ILU RCs and 24 out of 32 SA RCs had at least 20% of residents on Aveo Way contracts.

<sup>118</sup> Valuations assume that for RCs where 20% of residents have adopted Freedom Way as the standard contract, all residents at that RC will roll onto the Freedom Way contracts in future. At 30 June 2019, 7 out of 12 RCs in the Minor Development pipeline had more than 20% of residents on Freedom Way contracts.

<sup>119</sup> Source: Aveo FY19 Investor Presentation, p.15.

<sup>120</sup> Includes Peregian Springs Golf Club (Non-Retirement asset) and Newstead commercial, Bella Vista commercial and Springfield Wellness Centre (Care and Support Services).

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freehold land and \$2.0 million of leasehold improvements) and \$3.2 million related to Non-Retirement. Intangible assets related to Care and Support Services and include \$2.3 million of bed licences.

Aveo has provided for distributions at 30 June 2019 in the amount of \$26.0 million. Other provisions includes \$7.1 million of defect costs relating to defects at historic Non-Retirement developments.

#### 7.10.4 Borrowings

Aveo has a range of borrowing facilities. Details of the financing facilities available and debt maturity profile of Aveo as at 30 June 2019 are set out in the following table.

**Table 26: Aveo financing facilities as at 30 June 2019**

A\$ million	Total facility	Amount drawn	Available facility	Maturity
Aveo Group Syndicated Facility	600.0	600.0	-	July 2021
US Seniors Loan (US\$ denominated) <sup>1</sup>	35.8	35.8	-	November 2027
Aveo Healthcare Facility	100.0	99.5	0.5	December 2020 <sup>2</sup>
EBSHK Subordinated Loan (US\$ denominated) <sup>1</sup>	57.1	57.1	-	December 2019
<b>Borrowings</b>	<b>792.9</b>	<b>792.4</b>	<b>0.5</b>	
Finance lease liabilities		0.5		
Less: capitalised borrowing costs		(5.4)		
<b>Interest bearing liabilities (refer to Table 23)</b>		<b>787.5</b>		

Source: Aveo FY19 Investor Presentation and KPMG Corporate Finance analysis

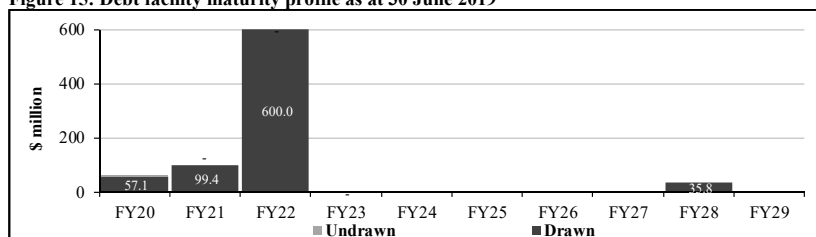
**Notes:**

1. US dollar debt converted to Australian dollars at the exchange rate at 30 June 2019 of A\$1 = US\$0.702.
2. Aveo recently received approval to extend the maturity of facility from 31 March 2020 to 31 December 2020.

As at 30 June 2019, the Aveo Group Syndicated Facility was fully drawn and only \$0.5 million of the Healthcare Facility was undrawn. Total available funding capacity as at 30 June 2019 was \$52.0 million, including cash of \$53.3 million less \$1.3 million restricted cash related to capital refurbishments.

As at 30 June 2019, Aveo had \$157.1 million of bank debt expiring in FY20 relating to the Aveo Healthcare and EBSHK Subordinated Loan. Subsequent to 30 June 2019, the Aveo Healthcare facility was extended to December 2020. The majority of the debt is due in FY22, with the \$600 million Aveo Group Syndicated Facility maturing on 1 July 2021. The weighted average maturity on Aveo's borrowings was 2.0 years. The following figure presents the debt facility maturity profile.

**Figure 15: Debt facility maturity profile as at 30 June 2019**



Source: Aveo FY19 Investor Presentation. Reflects extension of Aveo Healthcare Facility to 31 December 2020.

In FY19, Aveo's weighted average Australian dollar borrowing cost was 3.2% and weighted average total borrowing cost was 3.8%. Aveo does not have a credit rating assigned to its borrowings. Aveo's Australian dollar denominated borrowings are all based on floating rates and are unhedged. Aveo's US dollar borrowings of US\$65.0 million are based on fixed rates. Aveo entered into a 12 month forward foreign exchange contract for US\$20 million at US\$0.7274 on 31 January 2019 expiring on 20 December 2019. Based on an exchange rate of A\$1=US\$0.702 as at 30 June 2019, the mark-to-market value of the derivative was \$1.0 million.

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The financial covenants relating to Aveo's debt facilities, together with its actual performance with respect to each of these covenants, are set out in the following table.

**Table 27: Financial covenants**

Financial covenant	Covenant	30 June 2016	30 June 2017	30 June 2018	30 June 2019
<b>Aveo Group</b>					
Gearing ratio <sup>1</sup>	no more than 30%	17.4%	16.9%	16.8%	21.3%
Interest cover - Group <sup>2</sup>	at least 1.5x	9.0x	7.2x	5.8x	2.6x
Interest cover - Core <sup>3</sup>	at least 2.0x	3.0x	3.5x	2.7x	2.9x
Loan to value ratio <sup>4</sup>	no more than 30%	28.8%	21.2%	21.3%	27.0%
<b>Aveo Healthcare</b>					
Gearing ratio <sup>5</sup>	no more than 30%	17.1%	21.4%	25.2%	30.0%
Interest cover <sup>6</sup>	at least 1.5x	2.1x	4.7x	3.2x	4.8x
Loan to value ratio <sup>7</sup>	no more than 30%				17.3%

Source: Aveo Investor Presentations for FY16, FY17, FY18 and KPMG Corporate Finance analysis

**Notes:**

1. Calculated as total assets less cash and resident loans divided by net debt.
2. Calculated as group EBITDA divided by group interest expense.
3. Calculated as EBITDA for Established Business, Care and Support Services and unallocated overheads divided by interest expense for Facility A and B.
4. Calculated as drawn debt less cash divided by the sum of the Retirement and Non-Retirement valuations.
5. Calculated as total Healthcare assets less cash and resident loans divided by net debt.
6. Calculated as EBIT (adjusted for fair value of assets and residential loans) divided by finance charges.
7. Calculated as drawn debt less cash divided by retirement valuation.

Gearing and other financing ratios remained within financial covenants for both the Aveo Group and Aveo Healthcare loan facilities. However, as at 30 June 2019, Aveo Group's loan to value ratio of 27.0% was close to the covenant of 30%. Aveo Group's gearing ratio of 21.3% was slightly above its long-term target range of 10% to 20%.<sup>121</sup> Aveo Healthcare's gearing ratio of 30% was at the covenant level.

As at 30 June 2019, NTA per Aveo Security decreased by 42 cents to \$3.50, with the decrease mainly attributable to losses generated in FY19. These losses were mainly a result of the decline in Retirement investment property values from the adoption of lower future property price growth assumptions and unit pricing levels.

<sup>121</sup> Refer to Section 7.2 of this report.

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## 7.11 Cash flows

The cash flow statements for Aveo for FY16 to FY19 are summarised in the following table.

**Table 28: Cash flow statement of Aveo**

Period	FY16	FY17	FY18	FY19
<b>\$ million unless otherwise stated</b>				
<b>Retirement EBITDA</b>	<b>79.9</b>	<b>100.7</b>	<b>140.9</b>	<b>57.2</b>
Major Development to settlement basis <sup>1</sup>			48.0	82.4
Other	(49.8)	(43.7)	4.0	11.3
Deferred payment arrangements			(93.0)	37.6
Change in buyback stock	4.6		(41.0)	(60.6)
Investing	(123.4)	(340.0)	(318.0)	(207.9)
<b>Retirement cash flow</b>	<b>(88.7)</b>	<b>(283.0)</b>	<b>(260.0)</b>	<b>(80.0)</b>
<b>Non-Retirement EBITDA</b>	<b>55.1</b>	<b>62.7</b>	<b>51.0</b>	<b>33.2</b>
Reduction in inventories			74.0	11.2
Sale of Gasworks			217.0	9.5
Other	215.5	118.3	(2.0)	-
<b>Non-Retirement cash flow</b>	<b>270.6</b>	<b>181.0</b>	<b>340.0</b>	<b>53.9</b>
Group	-	-	(20.0)	(23.9)
Working capital and other	(23.1)	6.0	(35.0)	15.8
Interest paid	(11.2)	(11.0)	(23.0)	(22.4)
RVG acquisition/other (net of sales)	(123.4)	(62.0)	-	-
Issue of shares (net)	-	114.0	-	-
Other financing activities	(3.6)	-	-	-
Distribution paid	(25.8)	(44.0)	(52.0)	(52.0)
<b>Net cash generated/(used)</b>	<b>(5.2)</b>	<b>(99.0)</b>	<b>(50.0)</b>	<b>(108.6)</b>
Debt from FAC acquisition	(80.0)	-	-	-
Debt from US Seniors acquisition	-	-	(35.6)	-
<b>Total</b>	<b>(85.2)</b>	<b>(99.0)</b>	<b>(85.6)</b>	<b>(108.6)</b>
<b>Net cash/(borrowings) - opening balance</b>	<b>(326.6)</b>	<b>(427.1)</b>	<b>(525.9)</b>	<b>(616.7)</b>
<b>Net cash/(borrowings) - closing balance</b>	<b>(427.1)</b>	<b>(525.9)</b>	<b>(616.7)</b>	<b>(734.2)</b>

Source: Aveo Investor Presentations for FY16, FY17, FY18 and FY19 and KPMG Corporate Finance analysis  
Note 1: Adjusts for i) the timing difference between the recognition of COGS on sale and the outflow of cash incurred during construction, recognised as investing cash flows and ii) the cash flow differences between recognising profit on sale and cash flow from settlement.

Retirement cash flows were negative in all periods presented above. In FY17 and FY18, an increase in underlying Retirement EBITDA was more than offset by:

- substantial investing cash flows, mainly to fund developments as well as refurbishments within the Established Business
- deferred payment arrangements in FY18 (mainly involving allowing new residents to move into units three to six months prior to full payment), and
- an accumulation of buyback stock in FY18 as mandatory purchases of units under the Aveo Way increased with the downturn in the property market and sales of purchased stock declined.

In FY19, investment in Retirement new developments and refurbishments were curtailed and net cash flows from the provision of deferred payment arrangements were positive. However, Aveo generated lower EBITDA and further accumulated buyback stock (both as a result of reduced turnover of units) and Retirement cash flow remained negative. The adjustment from delivery to settlement increased in FY19 due to the additional cash flows received in early FY19 from FY18 revenues partially offsetting the decline in sales in late FY19.

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Non-Retirement cash flows were substantial and positive in FY16 to FY18 as the portfolio was sold down, in particular the \$218.5 million net proceeds from the sale of Gasworks in FY18. Proceeds from the sale of the Non-Retirement portfolio, borrowings and a capital raising in FY17 were used to fund cash outlays in Retirement, pay distributions and acquire further interests in RVG in FY16 and FY17.

In FY19, the Non-Retirement portfolio had largely been sold and there were limited cash inflows from Non-Retirement to offset cash outlays in Retirement (albeit these were substantially lower than in prior years), the prior year's distribution and increased interest payments. The deficit was funded by drawing down on borrowing facilities.

### 7.12 Outlook

Aveo management has not provided specific guidance for FY20 and beyond. In order to provide an indication of the expected future financial performance of Aveo, KPMG Corporate Finance has also considered brokers' forecasts for Aveo. As far as KPMG Corporate Finance is aware, Aveo is followed by six brokers of which five have released updated earnings forecasts following the announcement FY19 trading update on 24 June 2019 and only two have updated forecasts following the release of FY19 results on 28 August 2019. We note that results for FY19 were broadly in line with expectations provided in the trading update, as such all brokers forecasts published post 24 June 2019 have been included.

The broker forecasts are summarised in the following table and set out in detail in Appendix 4.

**Table 29: Broker consensus forecast**

Period	Broker Consensus	
	Actual FY19	(median) FY20
<b>\$ million unless otherwise stated</b>		
<i>Underlying revenue:</i>		
Established Business	168.5	184.9
Development	240.3	104.5
Care and Support Services	53.3	
<b>Total Retirement</b>	<b>462.1</b>	
Non-retirement	97.6	26.3
<b>Underlying revenue</b>	<b>408.8</b>	
<i>Profit contribution:</i>		
Established Business	47.5	67.9
Development <sup>2</sup>	11.1	(14.1)
Care and Support Services	(1.4)	1.2
<b>Total Retirement</b>	<b>57.2</b>	<b>56.0</b>
Non-Retirement	33.2	7.5
<b>Underlying EBITDA</b>	<b>71.2</b>	<b>56.0</b>
Depreciation and amortisation expense	(4.7)	(3.8)
<b>Underlying EBIT</b>	<b>66.5</b>	<b>50.5</b>
Interest and borrowing expense	(18.3)	(17.3)
<b>Underlying profit before tax</b>	<b>48.2</b>	<b>29.7</b>
Income tax expense	1.6	2.3
<b>Underlying profit after tax</b>	<b>49.7</b>	<b>24.1</b>
Non-controlling interests	0.4	0.2
<i>Statistics:</i>		
<i>Underlying EPS (cents)</i>	<i>8.6c</i>	<i>4.3c</i>
<i>Dividend per share (cents)</i>	<i>4.5c</i>	<i>2.4c</i>

Source: Broker reports for Aveo and Aveo FY19 Annual Report

The brokers are forecasting growth in Established Business revenues and a decline in development profits in FY20 as a result of Aveo's curtailment of development activities in FY19 and FY20. Earnings from Non-Retirement are expected to be minimal.

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### 7.13 Board and Management

Aveo's current Board is comprised of seven Directors. Mr Seng Huang Lee, Executive Chairman of Mulpha International Bhd, and Mr Eric Lee, a Director of Mulpha International Bhd and Mulpha Australia Limited, are nominee directors of Mulpha Group. Mr Seng Huang Lee is deemed to hold a 24.38% interest in Aveo. The IBC was established to consider and respond to interested parties as part of the Strategic Review and is comprised of certain of the Independent Directors, being Mr Walter McDonald (Chairman of IBC), Mr Jim Frayne, Ms Diana Saw and Mr Kelvin Lo. The Directors and senior management of Aveo are summarised in the following table.

**Table 30: Aveo directors and senior management**

Board members	Senior management
Seng Huang Lee (Non-Executive Chairman)	Geoff Grady (Chief Executive Officer)
Jim Frayne (Non-Executive Director)*	David Hunt (Chief Financial Officer)
Eric Lee (Non-Executive Director)	
Walter McDonald (Non-Executive Director)*	
Diana Saw (Non-Executive Director)*	
Kelvin Lo (Non-Executive Director)*	
Geoff Grady (Executive Director)	
Greg Shaw (Alternate Director for S.H. Lee and E.L. Lee)	

Source: Aveo FY19 Annual Report. Note: \* denotes member of the IBC.

### 7.14 Share capital and ownership

As at 23 September 2019, Aveo had 580,737,672 stapled securities on issue including 2,400,188 treasury securities held with respect to incentives under various employee incentive plans.

As at 23 September 2019, Aveo had 13,370 registered securityholders. The top 20 registered Aveo Securityholders accounted for approximately 80.1% of securities on issue and included Mulpha Group (24.38%) as well as institutional nominees and custodian companies. As at 23 September 2019, retail investors (holdings of up to 50,000 securities) accounted for 97.9% of Aveo Securityholders and 11.3% of Aveo Securities on issue.

As at 23 September 2019, Aveo had received notices from the following substantial securityholders.

**Table 31: Substantial securityholder notices as at 23 September 2019**

Name of substantial securityholder	Date of notice	Number of securities held	Percentage of issued capital <sup>1</sup>
Mulpha Group	28 November 2018	141,615,220	24.38%
UBS Group AG and its related bodies corporate	14 August 2019	34,822,792	6.00%
Omni Partners LLP <sup>2</sup>	19 August 2019	29,585,262	5.09%

Source: Substantial securityholder notices on ASX website

Notes:

- As at date of notice.
- Omni Partners LLP holds the position through contracts for difference (CFDs) through UBS.

Aveo's distribution reinvestment plan (DRP) is suspended for the FY19 distribution.

Aveo operates a number of employee share plans. It has granted deferred securities under the short-term incentive plan and performance rights and growth rights to senior management under the long-term incentive plan ('Aveo Incentives'). Deferred securities under the short-term incentive plan may be sourced either by a new issue or by buying on-market. The securities vest on 1 September of the following year and entitle the executive to dividends and distributions declared during the vesting period.

Performance rights under the long-term incentive plan entitle the executive to Aveo Securities for nil consideration. Securities may be sourced either by a new issue or by buying on-market. The performance rights vest after three years subject to certain performance conditions. They do not entitle the executive to dividends and distributions declared during the vesting period.

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Growth rights under the long-term incentive plan entitle the executive to Aveo Securities for nil consideration. Securities may be sourced either by a new issue or by buying on-market. The growth rights vest on 30 June 2021 subject to a performance condition relating to statutory EPS. The number of securities to be awarded (up to two) for each right depends on growth in statutory EPS over the period FY17 to FY21. They do not entitle the executive to dividends and distributions declared during the vesting period.

In the event of a change of control:

- the deferred securities under the short-term incentive plan will vest immediately
- performance rights under the long-term incentive plan will vest immediately to the extent that the performance conditions attaching to those rights have been satisfied as determined by the Board, and
- in relation to the growth rights, the greater of:
  - the number of securities that would be awarded given actual statutory EPS growth to the date of the event, times the elapsed proportion of the FY17-FY21 performance period, or
  - 50% of the number of securities that would be awarded if statutory EPS growth to the date of the event was 6.5% per annum

will be awarded, will immediately vest and will not be subject to a holding lock. The Board has the discretion to award a higher number of securities.

The Aveo Incentives outstanding as at 23 September 2019 under these plans are as follows.

**Table 32: Performance rights, growth rights and deferred securities**

	Number of Incentives on issue	Maximum number of Aveo securities that can be issued
<i>Long term incentive plan:</i>		
- Performance rights	1,266,204	1,266,204
- Growth rights	1,800,000	3,600,000
<i>Short term incentive plan:</i>		
- Deferred securities	417,449	417,449
<b>Total Aveo Incentives</b>	<b>3,483,653</b>	<b>5,283,653</b>

*Source: Scheme Implementation Deed.*

Under Clause 5.4 of the Scheme Implementation Deed, Aveo is permitted to issue or transfer no more than 2,400,188 Aveo Securities in respect to these incentives such that the total number of Aveo Securities on the Implementation Date does not exceed 580,737,672. Aveo is entitled to cash settle the other 2,883,465 Aveo Securities. The 417,449 deferred securities will vest in the ordinary course prior to the Scheme Meetings.

In accordance with the plans, the IBC has exercised its discretion and determined that all outstanding Aveo Incentives will vest as a result of the Transaction. As a result, Aveo intends to convert, issue or transfer 1,982,739 Aveo Securities and cash settle the other 2,883,465 Aveo Securities (for an amount equal to the Cash Consideration).<sup>122</sup>

<sup>122</sup> Noting that the cash settlement payments for 925,867 Aveo Securities (\$1,990,612) will be made six months after the Schemes have been implemented.

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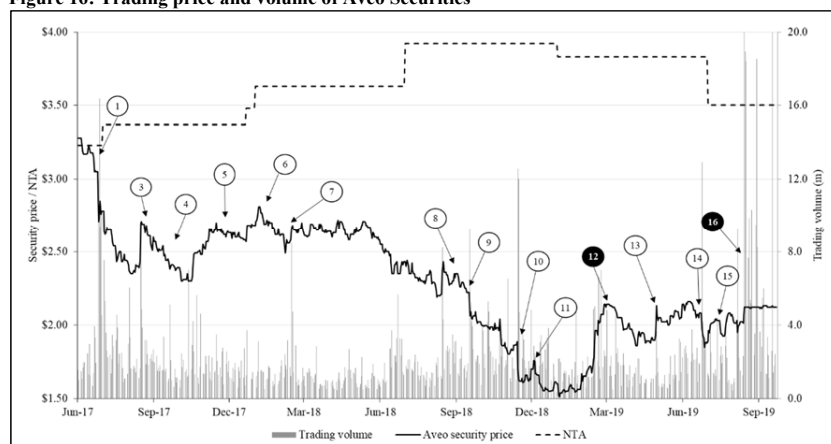


## 7.15 Aveo Security price performance

### 7.15.1 Recent trading in Aveo Securities

The trading price and volume of Aveo Securities traded from 1 June 2017 to 23 September 2019 is illustrated in the following chart.

**Figure 16: Trading price and volume of Aveo Securities**



Source: Capital IQ and KPMG Corporate Finance analysis

Aveo Securities traded broadly around NTA in the two years to June 2017<sup>123</sup>, however, have subsequently traded at a substantial discount to NTA. The key events that precipitated the security price decline are:

1. On 26 June 2017, the Aveo Security price declined sharply (by 11.1%) on heavy trading following the Fairfax media and ABC Four Corners joint report into alleged practices at Aveo' RCs (refer to Section 7.3 of this report). The report triggered a period of heightened regulatory scrutiny for Aveo and the retirement industry, resulting in shifting public perceptions.
2. On 3 July 2017, the ACCC announced an investigation into Aveo, adding momentum to negative perceptions of the retirement industry. Over the following month, the Aveo Security price declined by 23.0% to close at a low of \$2.35 on 4 August 2018.
3. On 16 August 2017, the Aveo Security price increased by 11.1% to close at \$2.70 on heavy trading following the release of the FY17 financial results, which indicated that Aveo's underlying profit after tax had increased by 22% to \$108.4 million on the back of a lift in earnings from both Established Business and Development.

Subsequently, the Aveo Security price declined steadily (by around 15%) to close at \$2.30 on 12 October 2018. During this time:

<sup>123</sup> From 25 June 2015 to 25 June 2017, Aveo Securities traded in the range of \$2.58 to \$3.69, at a VWAP of \$3.21, which represents a premium/(discount) to NTA in the range of (9.4)% to 21.3%, and an average premium of 4.3%.

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4. On 13 September 2017, Levitt Robinson filed a class action in the Federal Court of Australia against Aveo, alleging that the sale of Aveo Way contracts (formally launched in May 2015) reduces the price at which residents who are not on the Aveo Way have received on sale.<sup>124</sup>

The Aveo Security price then increased by 9% to close at \$2.70 on 15 November 2017, potentially as a result of Aveo responding positively to media scrutiny with contract improvements and press coverage<sup>125</sup> revealing the initiation of the sale process of Gasworks.

5. On 15 November 2017, Aveo held its Annual General Meeting and announced continued implementation of contract improvements, progress with the sale of Gasworks and improved sales volumes since mid-September.

The Aveo Security price then remained relatively stable until 11 May 2018, trading in the range of \$2.47 and \$2.86. During this time:

6. On 21 December 2017, the security price increased by 4.3% following the announcement of the sale of Gasworks at a substantial premium to book value.
7. On 14 February 2018, Aveo announced the 1H18 financial results, which indicated a 26 cent increase in NTA per Aveo Security as a result of revaluation uplifts and the sale of Gasworks, although negative public perceptions had impacted sales rates. In addition, management announced a package of key initiatives to help serve their customers better and regain their trust.

The Aveo Security price closed at a high of \$2.71 on 11 May 2018, then declined by 44% to close at a low of \$1.54 on 3 January 2019. During this period, the discount to NTA widened and reached a peak of 60% in January 2019, potentially reflecting the risks surrounding sustainable sales levels given the downturn in the residential property market, further regulatory risk into retirement and the aged care industries and the class action against Aveo. During this time:

8. On 15 August 2018, the security price increased by 7.2% following the release of FY18 financial results (which indicated a 17% increase in underlying profit after tax and 16% increase in NTA per security) and announcement of the Strategic Review of Retirement, with a stated focus on value gap between the price of Aveo's listed securities and the underlying value of Aveo's retirement properties.
9. On 16 September 2018, the Commonwealth Government announced a Royal Commission into the aged care industry (refer to Section 6.5 of this report). Despite Aveo's relatively minor exposure to Commonwealth funded aged care, the timing of the announcement added uncertainty and coincided with the ongoing class action case and ACCC investigation. On the day following the announcement, the Aveo Security price decreased 7.2% on heavy trading, to close at \$2.06.
10. On 14 November 2018, the security price declined by 9.8% on heavy trading following the Annual General Meeting where management stated it would not be confirming FY19 EPS guidance due to market conditions and uncertainty surrounding future sales levels. In particular, Aveo flagged that the residential market would constrain the number of sales written in FY19. The security price declined further over the following two days to close at \$1.62 on 16 November 2018.
11. On 30 November 2018, Aveo announced that it had established an IBC to consider and respond to interested parties as part of the Strategic Review and that the IBC had approved commencement of the first phase of the process (refer to Section 4.1 of this report). The security price increased by 8.0% over the following five trading days to close at \$1.76 on 3 December 2018.

<sup>124</sup> Source: Levitt Robinson Solicitors, Aveo Class Action.

<sup>125</sup> Source: Australia Financial Review, 31 October 2017: Aveo to sell last office and retail property, seeking \$200 million

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The security price reached an intraday low of \$1.50 on 4 January 2019 (a 61.7% discount to NTA). In the month to 12 February 2019 (the last trading day before the announcement that Aveo had received indicative non-binding offers from several parties), the security price traded in the range of \$1.53 to \$1.75, at a VWAP of \$1.61 and closed at \$1.715 on 12 February 2018, a 55.2% discount to NTA.

12. On 13 February 2018, Aveo advised that it had received indicative non-binding offers from several parties. It also announced the 1H19 results, which indicated 1H19 interim underlying NPAT and EPS had declined by 67% and 68%, respectively, to \$12.0 million or 2.1 cents per Aveo Security, largely a result of the downturn in the residential market and decline in development sales. The security price increased by 10.1% by close of day.

Key drivers of security price performance since then have been speculation around the state of the residential property market and a further decline in Aveo's earnings, offset by heightened media speculation of a takeover of Aveo:

13. On 8 April 2019, the Australian Financial Review's Street Talk reported that two bidders were in the final round of due diligence for Aveo, disclosing private equity group Blackstone as the preferred bidder. The Aveo Security price subsequently increased by 3.8% to close at \$1.93.

14. On 30 April 2019, the AFR's Street Talk stated that Hong Kong-based real estate private equity firm, Gaw Capital Partners, was one of the parties in talks to acquire Aveo. The security price subsequently increased by 10.4% to close at \$2.13.

15. On 24 June 2019, the security price decreased by 5.3% on heavy trading following management's warning that its FY19 financial results would be adversely affected by the downturn in the residential market. Underlying profit for FY19 was estimated at \$50 million.

16. On 14 August 2019, the security price increase by 5.5% on heavy trading following Aveo's announcement of the Transaction.

Following the announcement of the Transaction on 14 August 2019, until 23 September 2019 the security price traded in the range of \$2.11 to \$2.14, at a VWAP of \$2.12.

### 7.15.2 Relative share price performance

The performance of Aveo Securities (rebased to 100) from 1 June 2017 to 23 September 2019, relative to the S&P/ASX 200 Industrials Index, S&P/ASX 200 Real Estate Index and listed comparable companies that are focused on the retirement industry in Australia (Eureka and Lifestyle) is illustrated on the following chart. The ABS Residential Property index has also been included as a reference for the Australian residential property market, a key driver for the retirement industry (refer to Section 6 of this report).

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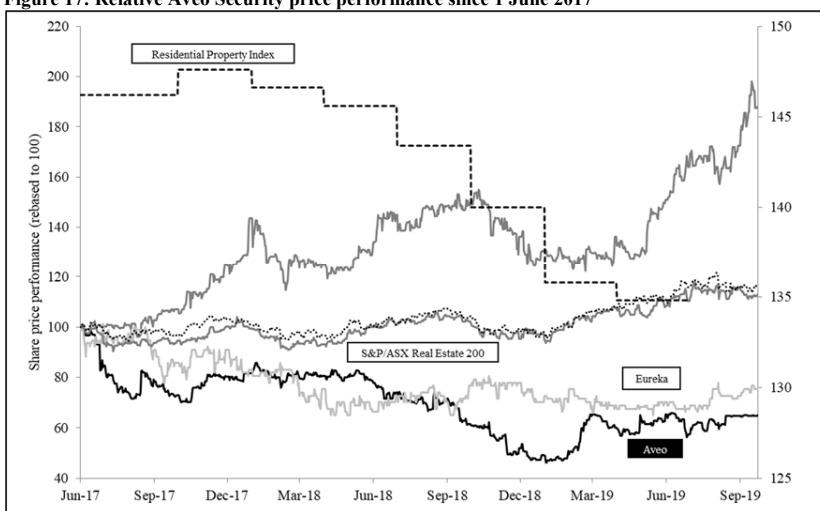
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**Figure 17: Relative Aveo Security price performance since 1 June 2017**



Source: Capital IQ and KPMG Corporate Finance analysis

The Aveo Security price underperformed the S&P/ASX Industrials Index, S&P/ASX Real Estate Index (the **S&P/ASX indices**), Lifestyle and Eureka following the release of Fairfax and ABC Four Corners joint report in late June 2017. The security price remained subdued until the end of 2017 (with the announcement in September 2017 of a class action) while Eureka's share price underperformed the indices in September 2017 potentially as a result of negative sentiment towards the retirement industry more generally.

From January 2018, Aveo and Eureka underperformed the broader indices, coinciding the downturn in the residential property market, as represented by the Residential Property Index, which began to decline steadily in early 2018 before decreasing sharply towards the end of 2018 and into early 2019. Lifestyle, Aveo and Eureka, 'pure play' RC operators, underperformed, potentially reflecting negative sentiment towards the retirement industry. Eureka's underperformance during 1H18 may also be a reflection of new senior management not meeting expectations and subsequent earnings revisions into early 2018. Lifestyle outperformed in 2018, which potentially reflects that it upgraded settlement guidance for FY18.<sup>126</sup>

In February 2019, the Aveo Security price outperformed the indices and comparable companies on the announcement that Aveo had received indicative non-binding offers from several parties. In line with record low interest rates and a mild recovery in the residential property market in May 2019,<sup>127</sup> the broader indices performed strongly from May to July 2019, however, Aveo and Eureka underperformed.

<sup>126</sup> Lifestyle upgraded settlement guidance for FY18 to 310-320 units (from 260-290) on the back of settlements at its Bittern community commencing in June rather than July. Brokers commented that the revised guidance implied strong settlement rates at other communities including Berwick Waters, Geelong and Shepparton and may reflect the quality/value proposition and brand position.

<sup>127</sup> Refer to Section 6 of this report.

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### 7.15.3 Liquidity

An analysis of the volume of trading in Aveo Securities, including the VWAP for the period up to 12 February 2019 (the last trading day prior to Aveo updating the market on 13 February 2019 that it had received a number of indicative non-binding bids from parties interested in a whole of company transaction as part of Aveo's Strategic Review) and periods to 23 September 2019 is set out below.

**Table 33: Volume of trading in Aveo Securities**

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$ millions	Cumulative volume millions	Percentage of issued capital
<b>Period of 14 August 2019 to 23 September 2019</b>						
29 days	2.11	2.14	2.12	433.4	204.2	35.3%
<b>Period of 13 February 2019 to 23 September 2019</b>						
155 days	1.59	2.18	2.05	1,031.2	502.1	86.8%
<b>Period of 13 February 2018 to 12 February 2019</b>						
1 day	1.68	1.72	1.70	2.8	1.6	0.3%
1 week	1.67	1.75	1.71	15.5	9.1	1.6%
1 month	1.53	1.75	1.62	55.8	34.4	6.0%
3 months	1.50	1.90	1.63	288.0	177.2	30.7%
6 months	1.50	2.51	1.88	739.7	392.9	68.1%
12 months	1.50	2.77	2.11	1,309.9	620.3	107.5%
<b>Period of 14 November 2018 to 12 February 2019</b>						
61 days	1.50	1.88	1.62	283.4	174.8	30.3%

Source: IRESS and KPMG Corporate Finance analysis

During the 12 month period to 12 February 2019, 88.1% of issued securities were traded. This level of trading indicates that there is an active market for Aveo Securities. Since the announcement of the Transaction, holders representing 35.3% of Aveo Securities have exited their investment.

## 8 Valuation of Aveo

### 8.1 Summary

We have assessed the value of Aveo to be in the range of \$1,210.6 million to \$1,385.9 million, which corresponds to a value of \$2.08 to \$2.39 per Aveo Security. Our range of assessed values reflects 100% ownership of Aveo and, therefore, incorporates a control premium.

Aveo's operating business has been valued based on a 'sum-of-the-parts' methodology. The value of Retirement is the sum of the following:

- the value of Established Business on the basis of a DCF methodology. The cash flows include DMF/CG income on units leased or sold, as well as the cash proceeds from the sale of buyback stock and subsequent DMF/CG income on that stock once it is leased or sold
- Major and Minor Development under construction and Major Development units available for first occupancy have been valued based on a DCF methodology. No value has been attributed to pipeline units that are not already under construction
- Care and Support Services has been valued based on a DCF methodology
- US Seniors has been valued based on a capitalisation rates, and
- in valuing each of Aveo's businesses, KPMG Corporate Finance has included all divisional costs, however, has not included the unallocated expenses, which have been capitalised separately at a

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multiple of 11 to 12 times based on multiples at which RC operators are trading and recent transactions in the industry.

KPMG Corporate Finance's approach values Aveo's business as a whole based on how the business is currently operating, recognising that there are various divisional overhead costs incurred related to operating the portfolio of assets owned by Aveo and that such costs are relevant to assessing Aveo's business as a whole (including for a hypothetical buyer). These divisional costs would not be incurred as part of any specific property asset, such that the individual property assets collectively have, technically and in theory, a respective fair value that is higher than that attributed by KPMG Corporate Finance's approach (that higher fair value being similar to the approach adopted by Aveo for the purposes of Aveo's statutory financial statements<sup>128</sup>). Aveo did not, however, as part of the Strategic Review, receive any interest in acquiring the property assets on an individual basis and instead, offers were made for the entire portfolio and business.<sup>129</sup> As such, KPMG Corporate Finance's view is that its approach to the valuation of Aveo is most appropriate in the circumstances.

The value of Retirement has been cross-checked utilising a Capitalised Earnings methodology, taking into account multiples at which listed RC operators are trading and multiples implied by transactions involving RC operators (refer to Section 8.8 of this report).

We have then added Non-Retirement inventories and surplus assets and deducted adjusted net interest bearing liabilities<sup>130</sup> as at 30 June 2019.

Our valuation of Aveo is summarised in the following table.

**Table 34: Aveo valuation summary**

\$ million unless otherwise stated	Section reference	Value range	
		Low	High
<b>Retirement:</b>			
Established Business	8.3	1,520.0	1,620.0
Development	8.4	460.0	510.0
US Seniors	8.5	35.7	36.7
Care and Support Services	8.6	50.6	52.3
Capitalised unallocated corporate overheads (net of savings)	8.7	(211.2)	(193.6)
<b>Total Retirement</b>		<b>1,855.1</b>	<b>2,025.4</b>
Non-Retirement inventories	8.9	80.0	85.0
Surplus assets	8.10	48.6	48.6
<b>Value of Aveo enterprise value</b>		<b>1,983.7</b>	<b>2,159.0</b>
Adjusted net interest bearing liabilities <sup>1</sup>	8.11	(773.1)	(773.1)
<b>Equity attributable to Aveo Securityholders</b>		<b>1,210.6</b>	<b>1,385.9</b>
Diluted number of Aveo Securities outstanding (million) <sup>2</sup>		580.7	580.7
<b>Value per Aveo Security</b>		<b>\$2.08</b>	<b>\$2.39</b>

Source: KPMG Corporate Finance analysis.

1. Net interest bearing liabilities as at 30 June 2019 has been adjusted to reflect the payment of the FY19 distribution of \$26.0 million and a \$6.2 million cash payment to senior management for Aveo Incentives.
2. Includes 2,400,188 treasury securities issued to senior management under incentive plans including the short-term incentive deferred securities which will vest in the ordinary course prior to the Scheme Meetings and the outstanding Aveo Incentives which will vest as a result of the change of control.

<sup>128</sup> Refer to Section 7.10.1 of this report.

<sup>129</sup> Refer to Section 3.3 of this report.

<sup>130</sup> Net interest bearing liabilities as at 30 June 2019 has been adjusted to reflect the payment of the FY19 distribution of \$26.0 million which is expected to be paid on 30 September 2019 and a \$6.2 million cash payment to senior management for Aveo Incentives.



Our valuation does not attribute any value to the class action as the potential liability is not quantifiable at this time.

The valuation of each of the Retirement businesses is set out in Sections 8.3 to 8.6 of this report. Synergies available to acquirers, such as cost savings through merging operations, are normally a significant factor in justifying their ability to pay a meaningful premium over market prices. In this case, direct synergies available to a number of financial buyers of Aveo would likely include all (or most) public company costs. Therefore, the valuation assumes that all public company costs are eliminated (refer to Section 8.7).

Observations from transaction evidence indicate that takeover premiums generally range from 25% to 40%<sup>131</sup> for completed takeovers depending on the individual circumstances. In transactions where it was expected that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater.

Our valuation range of \$2.08 to \$2.39 per Aveo Security plus the FY19 distribution of 4.5 cents per Aveo Security reflects a premium to the closing price of \$1.715 on 12 February 2019<sup>132</sup> of 24.2% to 41.8% and a premium to the one and three month VWAPs<sup>133</sup> up until 12 February 2019 of 31.5% to 50.2% and 31.1% to 49.6%, respectively. These premiums are towards the high end (or above) the premiums that are typically observed. We note that:

- the premiums may reflect the potential for Aveo to provide a platform for an acquirer to undertake further strategic acquisitions in the retirement industry (including acquiring assets that have become distressed as result of the downturn in residential property prices and introduction of legislated buyback provisions). However, as the most likely acquirer is a financial buyer, it is likely that there would be limited cost synergies (only Aveo's public company costs), and
- the premium may also reflect that Aveo's security price has been impacted by negative press surrounding Aveo and the retirement industry.

We note also that Aveo's earnings performance has deteriorated further since 13 February 2019. In particular, the security price decreased by 5.3% following management's warning on 24 June 2019 that its FY19 financial results would be adversely affected by the downturn in the residential property market and that underlying profit for FY19 was estimated at \$50 million. This suggests that in the absence of the Transaction, the security price would trade lower and the premium would be higher under current market conditions.

## **8.2 Valuation methodology**

### **8.2.1 Overview**

Our valuation of Aveo has been prepared on the basis of 'market value'. The generally accepted definition of market value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

<sup>131</sup> KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

<sup>132</sup> The trading day prior to Aveo updating the market on 13 February that it had received a number of indicative, non-binding bids from parties interest in a whole of company transaction.

<sup>133</sup> One and three month VWAPs to 12 February 2019 are \$1.619 and \$1.625, respectively. Refer to Section 7.15.3 of this report.

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Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- the capitalisation of maintainable earnings (**Capitalised Earnings**)
- discounted cash flows (**DCF**)
- estimated net proceeds from an orderly realisation of assets (**Net Assets**)
- rules of thumb, and
- current trading prices on the relevant securities exchange.

These methodologies are discussed in further detail in Appendix 5. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any. For listed companies, the trading price typically provides an indication of the fair value of a minority interest where trading is liquid and no takeover speculation is evident.

### 8.2.2 Selection of methodology

KPMG Corporate Finance's selected valuation methodologies for Aveo and its operating companies are described in Section 8.1 of this report. A discussion of the rationale for the selection of the valuation methodologies is set out below.

#### **DCF methodology**

A DCF approach was adopted as our primary methodology for each of Aveo's Retirement businesses (other than for US Seniors). This approach allows for analysis of key assumptions and for a range of scenarios to be modelled (such as property price growth rates and average tenure). The DCF analyses were based on long-term financial models developed by KPMG Corporate Finance, having regard to the Group Model, DMF Model and Development Model prepared by Aveo management. The models use as their starting point the balance sheet of each of the operating businesses as at 30 June 2019.

KPMG Corporate Finance has undertaken various enquiries in relation to the DMF Model, Development Model and Group Model, including holding discussions with management in regard to the commercial assumptions underlying the models. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. regulatory, contractual). KPMG Corporate Finance is of the view that the forward looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment, we have had regard to the factors noted in Section 5.3 of this report.

#### **Capitalised Earnings methodology**

A Capitalised Earnings methodology is also commonly used for the valuation of retirement businesses. This method is appropriate for businesses with a long operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential (which is the case for Aveo's operating businesses). Furthermore, there is sufficient transaction and trading evidence available from which to calculate meaningful multiples. This methodology has been used as a cross-check to the valuation of Retirement and as the primary methodology in valuing the US Seniors.

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A Capitalised Earnings approach can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result.

Aveo has not released specific forecasts for Aveo or the operating businesses for FY20 or beyond. Accordingly, the implied forward multiples have been calculated based on broker consensus forecasts for Retirement. KPMG Corporate Finance has compared the FY20 broker consensus forecast for Aveo and for Retirement with Aveo management's forecasts and concluded that broker consensus forecasts are sufficiently close to Aveo management's forecasts to be useful for analytical purposes.

#### **Rules of thumb**

Multiples of units are commonly used in the valuation of RC operators. Multiples of units have been considered in the valuation of Retirement. However, we note that rules of thumb should be utilised with caution as they can be misleading (e.g. where a company has substantial development activities, the multiple of units will be overstated).

#### **Net Assets**

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). Such an approach does not capture growth potential or internally generated intangible value associated with the business. KPMG Corporate Finance has utilised this approach in valuing the Non-Retirement assets and certain of the surplus assets.

### **8.2.3 Control premium**

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing Aveo and each of the business operations of the operating companies and, therefore, our valuation is inclusive of a premium for control. More specifically:

- in valuing the Retirement businesses, the DCF methodology incorporates a control premium as it is based on 100% of the cash flows generated by the operating companies
- we have specifically considered a premium for control when assessing our Capitalised Earnings based cross-check. Multiples applied in a Capitalised Earnings methodology are generally based on data from listed companies and recent transactions in a comparable industry, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for listed comparable companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated in such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100%) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected, and

- our valuation has had regard to the additional value resulting from estimated corporate cost savings that would generally be available to the majority purchasers. It does not include any other operational or financing synergies that may be only available to a very limited number of potential buyers. In regard to potential acquirers of Aveo, we note that the Strategic Review involved a sale process and shortlisted parties were mainly financial buyers. Such acquirers could likely only save public company costs. Consequently, public company costs have been excluded for the purposes of our valuation assessment.

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### 8.3 Valuation of Established Business

#### 8.3.1 Overview

KPMG Corporate Finance has assessed the value of Established Business on a control basis to be in the range of \$1,520.0 million to \$1,620.0 million. In assessing the value of Established Business, KPMG Corporate Finance has adopted a DCF analysis as the primary methodology.

The value is below the book value of assets at 30 June 2019 of \$1,957 million due to the following key assumptions (recognising some of these assumptions have a positive impact on value):

- KPMG Corporate Finance has included all divisional expenses in the forecast cash flows<sup>134</sup>
- slightly lower property price growth rates have been assumed (see assumptions below)
- additional consolidated group capital expenditure related to community centre upgrade projects and other general group capital expenditures has been included in the KPMG Corporate Finance valuation
- slightly lower discount rate assumptions have been adopted by KPMG Corporate Finance<sup>135</sup>
- the KPMG Corporate Finance valuation assumes that all residents ultimately convert to an Aveo Way contract in accordance with Aveo's strategy, whereas the book value assumes the Aveo Way suite of contracts is adopted as standard for future residents only at RCs where 20% of residents as at 30 June 2019 had adopted the Aveo Way suite of contracts, and
- KPMG Corporate Finance's valuation assumes that all SAs in the Minor Development portfolio convert to FAC SAs in accordance with Aveo's strategy, whereas the book value assumes SAs are converted to FAC SAs only if more than 20% of SAs at that RC as at 30 June 2019 had been converted to FAC SAs.

#### 8.3.2 DCF analysis

##### Assumptions

The DCF analysis uses as a starting point the financial position of Established Business as at 30 June 2019 and projects nominal, ungeared after tax cash flows to 30 June 2030, a period of 10 years. In lieu of a terminal value, the cash flows were extended for a further 54 years until 30 June 2084, with the assumptions adopted generating nominal after tax cash flows that show a 4.4% compound annual growth rate (CAGR).

The ungeared, after tax cash flows for each portfolio within Established Business are discounted by a weighted average cost of capital (WACC) in the range of:

- 11.3% to 12.1% for the Aveo legacy portfolio (Aveo core and Aveo Healthcare), and
- 12.1% to 12.9% for the FAC and RVG portfolios.

Refer to Appendix 7 for further detail on the selection of discount rates.

<sup>134</sup> Including general overheads, marketing salaries and wages, Freedom Care Plan and General Service Charge deficits, subsidies and foot services shortfalls, other indirect costs and administration fee income. Refer to Section 7.10.1 of this report.

<sup>135</sup> Refer to Appendix 7.

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Aveo is not expected to pay tax in future as cash flows within the trust are not taxed and as a result of Aveo's substantial carried forward tax losses and the deferral of development profits.<sup>136</sup>

In undertaking the DCF analysis, we have considered the following key assumptions under Scenario A (Base Case):

- **opening market value of units:** as at 30 June 2019, is based on Aveo management's detailed pricing review. Market values were estimated for all units based on sales evidence at each RC, the level of refurbishment, occupancy and affordability and finally, cross-checked by Territory Sales Managers using a bottom-up review process
- **property price growth rate:** property price growth rates by State from FY20 to FY32 are based on analysis of growth rates utilised by comparable listed RC operators in estimating the book value of their RC assets as at 30 June 2019, BIS Oxford Economics forecasts for FY20 to FY22 by State, growth rates for ILUs, SAs and FAC SAs utilised by Aveo management in calculating the book value of Established Business at 30 June 2019 and our internal analysis. We have adopted Aveo management's long-term view of property growth rates beyond FY32 (which is broadly in line with long-term property price growth assumptions disclosed by listed peers)
- **resident tenure:** based on Aveo's historical experience across the portfolio, which indicates an average tenure of four years for SAs, 10 years for ILUs and eight years for residents on Aveo Certainty contracts (which enable residents to transfer to another Aveo unit without incurring a second DMF) that apply to ILUs in certain regions in South East Queensland and Melbourne where there are nearby SAs or FAC SAs
- **settlement period:** six months for ILUs and FAC SAs and nine months for other SAs, consistent with Aveo's historical experience,
- **DMF/CG income:** is based on contractual terms for existing residents as at 30 June 2019 and forecast adoption of Aveo Way/Freedom Way contracts for all incoming residents. DMF/CG margins increase to target levels as a result of increased adoption of the Aveo Way contracts, and
- **operating buyback stock:** operating buyback stock increases from \$159.8 million (being 487 units) as at 30 June 2019,<sup>137</sup> which represents 4.0% of the portfolio units, to 5% of total units at 30 June 2020 and 2021<sup>21</sup> (as the residential property market remains subdued), declining to 2% of total units by 30 June 2026 as the residential property market recovers, then remaining flat at 2% for the remainder of the forecast period. The average 30 June 2019 unit value is assumed to grow consistently with the property price growth assumptions outlined earlier in this section.

Refer Appendix 6 for further detail on the assumptions underlying Scenario A.

#### **Sensitivity analysis**

Scenario A produces a mid-point NPV of \$1,700.8 million. KPMG Corporate Finance has analysed Scenario A to assess the sensitivity of the NPV outcomes to changes in the following key variables:

- property price growth: +/- 1%
- market value of units at 30 June 2019: +/- 5%
- average tenure: +/- 1 years
- settlement period: +/- 6 months

<sup>136</sup> As at 30 June 2019, Aveo had \$1,266.3 million of recognised losses and \$265.9 million of unrecognised losses.

Refer to Section 7.9 of this report.

<sup>137</sup> Refer to Section 7.9.1 of this report.

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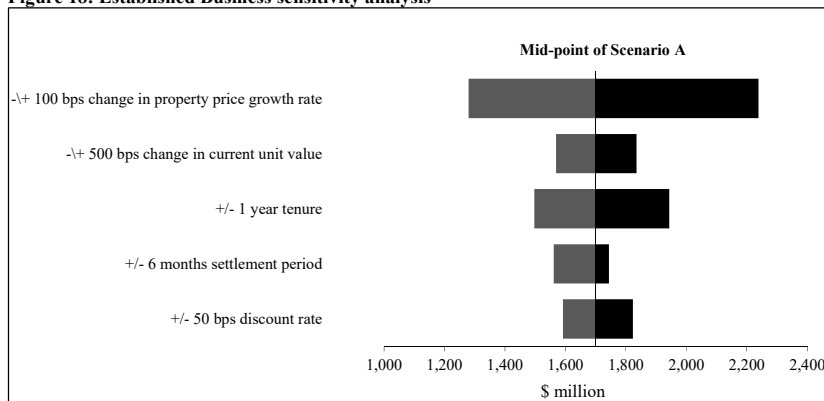


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- discount rate: +/- 0.5% .

The output of this sensitivity analysis is summarised below:

**Figure 18: Established Business sensitivity analysis**



Source: KPMG Corporate Finance analysis.

The chart above highlights the sensitivity of NPV outcomes to selected movements in a range of key variables. The analysis indicates that:

- the NPV outcomes are highly sensitive to changes in property price growth and moderately sensitive to changes to the current market value of units. This is not surprising, since the property price growth and market value of units impact both the CG or capital loss received by Aveo on exit of a resident and the DMF received on resale or buyback (which is a function of property prices on entry)
- the NPV outcomes are reasonably sensitive to changes in resident tenure and settlement period:
  - changes in tenure impacts the frequency of DMF/CG income received on exit and has a compounding effect on future cash flows such that DMF/CG are received earlier (or later), which increases (or decreases) NPV as a result of the time value of money
  - changes in settlement period results in CGs being received earlier (or later) which increases (or decreases) NPV as a result of the time value of money. The model does not allow for the settlement period to be reduced below three months and consequently, the impact on NPV appears less sensitive to a decrease in settlement period than an increase in settlement period, and
- the NPV outcomes are moderately sensitive to changes in discount rates.

As illustrated above, small changes in certain assumptions can have a disproportionate impact on value. In addition, there are inherent uncertainties about future events and a range of potential outcomes for key assumptions, including:

- **higher or lower property price growth impacted by:**
  - the key driver of Aveo's property prices is the residential property market. Since FY16 Aveo's unit prices have trended with a 93% correlation to residential property prices (i.e. for every 1.0% movement in residential property prices, Aveo unit prices move 0.93%). The downturn in the residential property market could be longer/shorter and/or worse/better than expected
  - retiree lifestyle choices
  - affordability of mortgages and housing

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- **longer or shorter tenure impacted by:**
  - change in age profile of incoming residents
  - level of care required by residents
  - age and quality of the RC
  - residents' financial and family situations
- **settlement period impacted by:**
  - factors impacting the reputation of Aveo and/or the retirement industry
  - the downturn in the residential property market is longer/shorter and/or worse/better than expected, impacting the time to settle units
- **level of buyback stock impacted by:**
  - guaranteed buybacks under Aveo/Freedom Way contracts within 6 or 12 months on the market
  - statutory buyback provisions (e.g. recent Queensland legislation enforcing mandatory buybacks by RC operators of units on the market after 18 months)
  - management's decision relating to discretionary buybacks, and
  - level of buyback sales, which depends on the performance of the residential property market.

It should be noted that the Group Model (upon which KPMG Corporate Finance's DCF analysis is based) is not fully integrated and as such, it does not take into consideration interrelationships between variables adopted in the Established Business cash flows (i.e. changes in assumptions relating to operating buyback stock does not change the level of DMF/CG cash flows) nor does it take into account management's ability to mitigate adverse outcomes. However, we consider that the model is useful in illustrating the potential impacts on NPV of various outcomes. In any event, Aveo management has limited flexibility to reduce operating costs within Established Business in the event of a downturn.

**Scenario analysis**

KPMG Corporate Finance has developed a range of scenarios for Established Business in order to illustrate the impact on value of potential changes in key variables. It should also be noted that there is a wide range of other potential outcomes for each variable and even more combinations of those outcomes. KPMG Corporate Finance has developed the following scenarios.

**Table 35: Established Business scenario analysis**

Scenario	Description
Scenario A	Base Case assumptions as set out in Appendix 6.
Scenario B	Scenario A, except average tenure increases by 1 year for ILUs and by 6 months for SAs.
Scenario C	Scenario A, except property price growth is 0% in FY20 and FY21 reflecting a delay in recovery of property prices from the current downturn in the residential property market.
Scenario D	Scenario C, and average tenure increases by 1 year for ILUs and by 6 months for SAs.
Scenario E	Scenario D, except settlement period increases by 6 months due to the continued downturn in the residential property market. Further, operating buyback stock increases from 2% to 3% in the long-term as slower sales increases mandatory buybacks.
Scenario F	Scenario A, except property price growth is consistent with that in the Directors' valuations as reflected in the 30 June balance sheet i.e. an earlier recovery in the residential property market results in unit prices increasing by 3% in FY21 and growth gradually increasing to 3.75% by FY24. In addition, tenure declines by 1 year for ILUs and by 6 months in SAs.

Source: KPMG Corporate Finance analysis.

We have not developed scenarios which incorporate higher or lower unit values at 30 June 2019 as property pricing risk is captured by varying property price growth rate assumptions in the scenarios.

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The output of the DCF analysis for a range of discount rates is summarised below.

**Table 36: NPV outcomes**

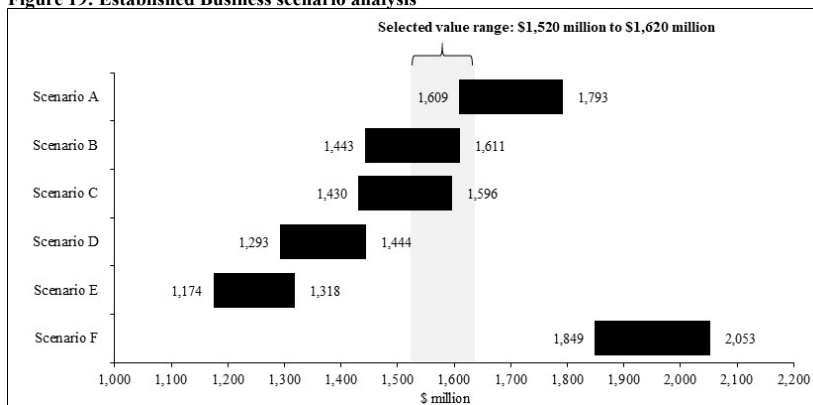
Established Business	NPV Outcomes (\$ million) - WACC Sensitivity					
	+ 1.0%	+ 0.5%	Low	High	- 0.5%	- 1.0%
Scenario A	1,422	1,510	1,609	1,793	1,927	2,079
Scenario B	1,272	1,353	1,443	1,611	1,733	1,873
Scenario C	1,262	1,341	1,430	1,596	1,717	1,855
Scenario D	1,139	1,212	1,293	1,444	1,555	1,681
Scenario E	1,028	1,097	1,174	1,318	1,424	1,544
Scenario F	1,640	1,739	1,849	2,053	2,201	2,370

Source: KPMG Corporate Finance analysis.

Note: +0.5% and +1.0% sensitivities have been applied to the high end of the discount rate range, and the -0.5% and -1.0% sensitivities have been applied to the low end of the discount rate range.

The range of values for each scenario (based on a discount rate of 11.3 to 12.1% for the Aveo legacy portfolio, and 12.1% to 12.9% for the RVG and FAC portfolios) is illustrated in the following chart.

**Figure 19: Established Business scenario analysis**



Source: KPMG Corporate Finance analysis.

Scenario A assumes a recovery in the residential property market from FY20 and assumes Aveo relatively quickly returns to its expected operating parameters, which are broadly consistent with historical levels.

As such, there is no increase in settlement periods, average tenure does not increase (despite being shorter than that of other RC operators<sup>138</sup>) and long-term targets are achieved (the portfolio sales rate increases to target levels by FY22, DMF/CG margins reach targets by FY20).

Scenario B assumes that tenure is higher by one year for ILUs and six months for SAs in all periods reflecting a move towards industry levels. Aveo has recently experienced an increase in tenure, in particular for SAs.<sup>139</sup>

Scenario C assumes the recovery in the residential property market is delayed by two years (until FY23) with property prices expected to remain flat in FY20 and FY21, and increasing marginally in FY22. This results in a similar decrease in NPV to Scenario B. Scenario C is considered reasonable, given the difficulty in predicting a recovery in the residential property market and currently weak macroeconomic

<sup>138</sup> LendLease: 11 years for ILUs, Stockland: 11 years for ILUs

<sup>139</sup> Tenure for SAs increased from 3.9 years at 30 June 2017 to 4.4 years at 30 June 2019. Over the same period, tenure for ILUs increased marginally from 7.7 years to 7.9 years. Refer to Section 7.5.1 of this report.

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conditions, increasing international trade disputes and recent sharemarket uncertainty. Scenario B is considered reasonable even in 'normal' macroeconomic conditions as the average tenure of residents at Aveo's RCs is lower than those of comparable companies.

Scenario D assumes that tenure is higher by one year for ILUs and six months for SAs and there is a two year delay in the recovery of Aveo's property price growth (i.e. a combination of Scenarios B and C). This results in a substantially lower value.

As set out in Section 6.7 of this report, a downturn in the residential property market is likely to impact both property price growth and settlement periods for RC operators. As a result, Aveo may be required to buy back stock under Aveo Way contracts after six or 12 months or after 18 months under statutory buyback provisions (depending on contract), and buyback sales may decline. Aveo has recently experienced longer settlement periods, an increase in mandatory buybacks and a reduction in buyback sales. Scenario E combines the risk of a prolonged property downturn and longer resident tenure (Scenario D) with an increase in settlement period of one year for ILUs and six months for SAs and a higher level of buyback stock over the long-term (i.e. 3% of the total units in the portfolio). This results in a substantially lower NPV. Although there is a reasonable chance that a continuing downturn in the residential property market could result in a longer settlement period and higher buyback stock, we would expect that over time, settlement periods and buyback stock to revert to long run averages. Consequently, this scenario is not considered realistic.

Scenario F shows the impact of a faster recovery in the residential property market in FY21 than assumed in Scenario A, and a shortening of the resident tenure (by one year for ILUs and six months for SAs). This scenario reflects a recovery from the recent residential property market downturn by FY23 (with growth reverting to the historical average growth rate as the market corrects for property pricing) as well as underlying factors (e.g. an increase in the average age of residents entering Aveo's RCs) impacting tenure. No further upside scenarios have been run, given that Scenario A already assumes that Aveo's long-term targets are achieved.

Analysis of the scenarios above indicates that there is limited upside (in addition to that already included in Scenario A) and greater downside risk. This is because Scenario A assumes that Aveo relatively quickly returns to its expected operating parameters, all long-term targets are achieved (i.e. the portfolio sales rate increases to target levels by FY22, DMF/CG margins reach targets by FY20) and average tenure remains shorter than for other RC operators.

Recent macroeconomic conditions suggest the probability of further downside (Scenario C) is greater than upside in property price forecasts (Scenario F). Notwithstanding that there may be greater downside risk in property prices than upside, it should be noted that a delay in the recovery of residential property prices would have a greater impact on NPV than a recovery that is earlier than anticipated. The sensitivity analysis illustrates that there is greater potential for settlement periods to increase than to decrease, as settlement periods are unlikely to decline below three months.

In addition, we consider an increase in tenure (Scenario B) towards levels consistent with peers to be reasonably probable.

As such, in determining a value range, KPMG Corporate Finance has selected a value for Established Business (after consideration of the various Scenarios and the various factors impacting each of them) to be in the range of \$1,520.0 million and \$1,620.0 million. This range overlaps the low end of Scenario A and the upper half of the range of values for Scenario B and C. The range does not capture E as we consider this scenario to be unrealistic. On this basis, we consider the selected value range appropriately takes into consideration the risks inherent in the cash flows.

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### 8.4 Valuation of Development

#### 8.4.1 Overview

KPMG Corporate Finance has assessed the value of Development on a control basis to be in the range of \$460.0 million to \$510.0 million. In assessing the value of Development, KPMG Corporate Finance has adopted a DCF analysis as the primary methodology.

The value is lower than the book value of assets for Development at 30 June 2019 of \$705.2 million (which comprises \$423.8 million of new units available for first occupancy, \$206.8 million of investment property under construction and \$74.6 million of Minor Development units) due to the following key assumptions (recognising some of these assumptions have a positive impact on value):

- KPMG Corporate Finance has allocated all divisional expenses to the cash flows<sup>140</sup>
- the book value of investment property under construction and Minor Development represents the cost of the properties and does not take into account the timing of cash flows relating to the settlement of these properties, whereas KPMG Corporate Finance has taken into account the likely timing of the settlements relating to these properties and future DMF/CG expected to arise on the subsequent 'sale' of these units
- the book value of new units available for first occupancy is based on pre-sales and recent transactions, whereas KPMG Corporate Finance has taken into account the likely timing of settlement of these properties and future DMF/CG expected on the subsequent 'sale' of these units

KPMG Corporate Finance has not valued any RCs not yet in construction or any development platform on the basis that:

- some of Aveo's financial ratios are close to covenants and its group borrowing facilities are fully drawn<sup>141</sup> and, combined with negative cash generation from Retirement<sup>142</sup> and limited remaining Non-Retirement assets to be divested, Aveo has limited capital available to invest in Development
- an acquirer is unlikely, in a subdued market, to pay for development activities for which they will bear all risk and front all capital
- Aveo has substantially scaled back development activities in FY20 and reduced its Development workforce. As such, it does not have an extensive development platform
- Aveo has only recently ramped up development activities (it delivered 62 Major Developments in FY15, 506 units in FY18 and 419 units in FY19 and commenced Minor Developments as recently as FY17). As such, it does not have an extensive track record of delivering new units.

#### 8.4.2 Discounted cash flow analysis

##### Assumptions

As discussed previously, we have only attributed value to Development projects where construction had commenced as at 30 June 2019. As a result, our assumed Development pipeline contains 3,198 units, including 2,204 units at Springfield. This is lower than Aveo's disclosed Major Development pipeline of 4,717 units.<sup>143</sup>

<sup>140</sup> Including general overheads, marketing salaries and wages, and other indirect costs. Refer to Section 7.10.1 of this report.

<sup>141</sup> Refer to Section 7.10.4 of this report.

<sup>142</sup> Refer to Section 7.11 of this report.

<sup>143</sup> Refer to page 28 of FY19 Investor Presentation.

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The DCF analysis uses as a starting point the in-progress development as at 30 June 2019 and projects ungeared, nominal, after tax cash flows to 30 June 2029 at which time the projects in our development pipeline will have been delivered. Given we are not attributing any value to the development platform, we have not included a terminal value. However we have considered the future DMF/CG income expected to be generated from completed units up to 30 June 2084.

In valuing Development we have considered ungeared, after tax cash flows for each development type discounted by a WACC in the range of:

- 13.3% to 14.1% for brownfield developments.
- 14.3% to 15.1% for redevelopments
- 15.1% to 15.9% for FAC redevelopments
- 15.3% to 16.1% for partly delivered greenfield developments, and
- 16.3% to 17.1% for greenfield developments that are in early stages of development.

These WACC ranges take into account that the forecast cash flows include cash receipts from the sale of units that were available for first occupancy as at 30 June 2019 (i.e. for which there is no development risk).

Refer to Appendix 7 for further detail on the selection of discount rates.

In undertaking the DCF analysis, we have considered the following key assumptions under Scenario A (Base Case):

- **settlement basis:** revenue from the sale of units that are currently under construction and units available for first occupancy is on a settlement (cash) basis
- **DMF/CG and other unit related revenue:** has been estimated utilising the assumptions outlined for the Established Business portfolio and is generated after a unit has been settled. However, this income is discounted at the higher discount rates applicable to Development assets
- **number of Major Development units:** a total of 3,198 units are delivered by FY29, which represents 32% fewer units than in the pipeline of 4,717 units and is consistent with the FY20 Budget.<sup>144</sup> The number of units forecast to be delivered in each year is based on Aveo management's delivery schedule for the relevant projects, with a maximum of 583 units delivered in FY23 and an average of 320 units delivered per annum between FY20 and FY29. This is below Aveo management's long-term delivery target of 500 units per annum
- **number of Minor Development units:** 125 units are delivered in FY20, decreasing to nil post FY23. Minor Developments include conversion of SAs to FAC SAs and refurbishment of FAC SAs. Therefore, once these conversions are completed in FY23, Minor Developments will cease
- **property price growth rate:** property price growth rates are the same as those adopted in the valuation of Established Business<sup>145</sup>
- **Major Development margins:** weighted average margin (on delivered basis) during the development period of 17.8%, which is within the target pre-interest margin range of 16% to 20% and below recent historical experience

<sup>144</sup> Refer to Section 7.6.2 of this report.

<sup>145</sup> Refer to Appendix 6 of this report.

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- **Minor Development margins:** weighted average pre-interest margin of 37.3%, which is within the target pre-interest margin range of 35% to 40% and consistent with historical experience
- **construction period:** we have adopted Aveo management's schedule of construction periods, which typically range from 18 to 24 months, and
- **settlement period:** we have adopted Aveo management's assumed settlement periods, which typically range from 12 to 18 months.

Refer Appendix 6 for further detail.

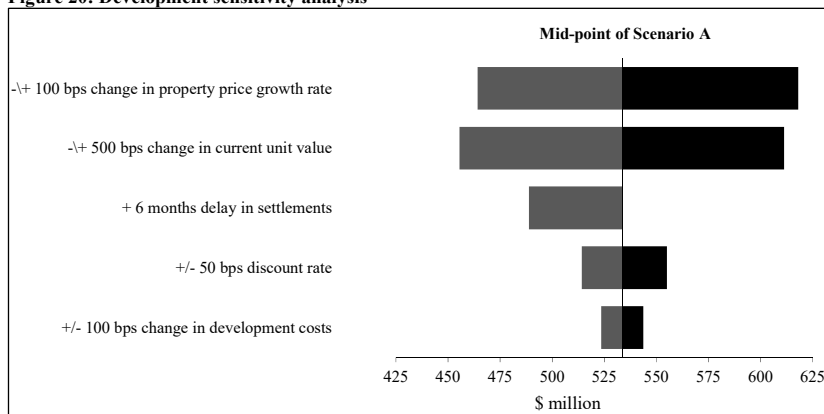
### Sensitivity analysis

Scenario A produces a mid-point NPV of \$533.7 million. KPMG Corporate Finance has analysed Scenario A to assess the sensitivity of the NPV outcomes to changes in the following key variables:

- property price growth: +/- 1%
- current market value of units: +/- 5%
- settlement date: +6 month delay in settlements
- discount rate: +/- 0.5%
- development costs: +/- 1%.

The output of this sensitivity analysis is summarised below:

**Figure 20: Development sensitivity analysis**



Source: KPMG Corporate Finance analysis.

The chart above highlights the sensitivity of NPV outcomes to selected movements in a range of key variables. The analysis indicates that:

- the NPV outcomes are highly sensitive to changes in the current market value of units and property price growth, each of which impacts selling price and development margin as well as subsequent DMF/CG cash inflows and, therefore, has a significant compounding effect on the cash flows
- the NPV outcomes are also sensitive to changes in settlement dates due to the time value of money which means that cash received later has a lower NPV, and
- the NPV outcomes are not particularly sensitive to changes in discount rate or development costs as over 50% of net cash flows occur in the first four years of the projected cash flows.

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As illustrated above, small changes in certain assumptions can have a disproportionate impact on value. In addition, there are inherent uncertainties about future events and a range of potential outcomes for key assumptions, including:

- **higher or lower property price growth and development margins impacted by:**
  - the downturn in the residential property market is longer/shorter and/or worse/better than expected. As mentioned, on average, Aveo unit prices capture 93% of the movement in residential property prices
  - retiree lifestyle choices
  - affordability of mortgages and housing
- **units delivered per annum:**
  - the downturn in the residential property market is longer/shorter and/or worse/better than expected, impacting the demand for properties for sale
  - ability to source funding for developments, which is currently difficult in the Australian retirement industry
- **timing of settlement impacted by:**
  - management decisions regarding scale and schedule of development pipeline
  - the downturn in the residential property market is longer/shorter and/or worse/better than expected, impacting the demand for properties for sale and settlement periods
  - factors impacting the reputation of Aveo and/or the retirement industry continue to impact Aveo's sales, and
  - development specific considerations (e.g. construction delays).

It should be noted that the Group Model (upon which KPMG Corporate Finance's DCF analysis is based) is not fully integrated and as such, it does not take into consideration interrelationships between variables adopted in the Established Business and Development cash flows (i.e. if there is an increase in operating buyback stock, the construction of Major Development is not reduced to counter the higher capital outflow due to the increase in operating buyback stock). As a result, we have sought to align assumptions and scenarios in the Development valuation with those in the valuation of Established Business (e.g. the Base Case property price growth is consistent between each model, and each of the valuations includes an upside and downside property price growth scenario that are consistent).

#### **Scenario analysis**

KPMG Corporate Finance has developed a range of scenarios for Development in order to illustrate the impact on value of potential changes in key variables.

KPMG Corporate Finance has developed the following scenarios.

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**Table 37: Development scenario analysis**

Scenario	Description
Scenario A	Base Case assumptions as set out in Appendix 6. <sup>146</sup>
Scenario B	Scenario A, except property price growth is 0% in FY20 and FY21 reflecting a delay in recovery of property prices from the current downturn in the residential property market. <sup>147</sup>
Scenario C	Scenario B, except continued downturn in the residential property market causes settlement dates to be delayed by 6 months. <sup>147</sup>
Scenario D	Scenario A, except property price growth assumptions are consistent with those in the Directors' valuations as reflected in the 30 June 2019 balance sheet i.e. an earlier recovery in the residential property market results in unit prices increasing by 3% in FY21 and growth gradually increasing to 3.75% by FY24. <sup>148</sup>

Source: KPMG Corporate Finance analysis.

The output of the DCF analysis for a range of discount rates is summarised below.

**Table 38: NPV outcomes**

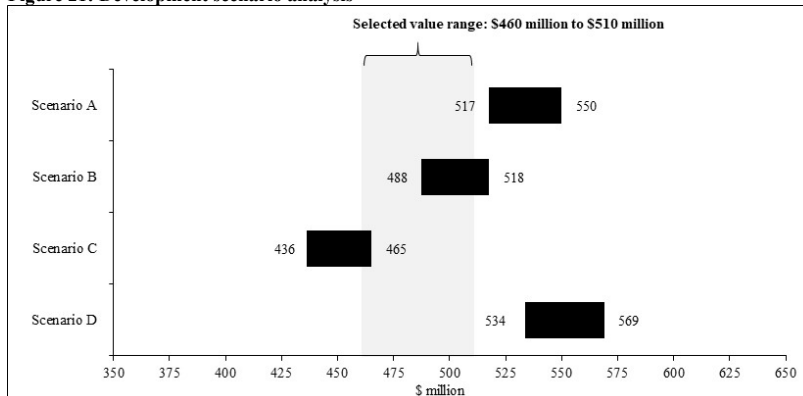
Development	NPV Outcomes (\$ million) - WACC Sensitivity					
	+ 1.0%	+ 0.5%	Low	High	- 0.5%	- 1.0%
Scenario A	483	499	517	550	573	599
Scenario B	456	471	488	518	539	563
Scenario C	406	420	436	465	486	509
Scenario D	497	514	534	569	594	622

Source: KPMG Corporate Finance analysis.

Note: +0.5% and +1.0% sensitivities have been applied to the high end of the discount rate range, and the -0.5% and -1.0% sensitivities have been applied to the low end of the discount rate range.

The range of values for each scenario (based on the selected range of discount rates) is illustrated in the following chart.

**Figure 21: Development scenario analysis**



Source: KPMG Corporate Finance analysis.

<sup>146</sup> Scenario A reflects similar property price growth assumptions as set out in Scenario A of the Established Business valuation.

<sup>147</sup> Scenarios B and C reflect similar property price growth assumptions as set out in Scenarios C, D and E of the Established Business valuation.

<sup>148</sup> Scenario D reflects similar property price growth assumptions as set out in Scenario F of the Established Business valuation.

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Scenario A is reasonably optimistic as it assumes a recovery in the residential property market from FY20, the number of deliveries gradually returns broadly to the annual target level of 500 units per annum by FY23 and the division achieves margins in line with its target margins.

Scenario B assumes the recovery in the residential property market is delayed by two years (until FY23) with property prices expected to remain flat in FY20 and FY21, and increasing marginally in FY22. These growth rates are consistent with those in Scenarios C, D and E in the valuation of Established Business. This results in Development margins decreasing by 0.6% per annum and a lower NPV.

Scenario C reflects the risk of a prolonged property downturn (Scenario B), and also assumes the downturn in the residential property market will result in a six month delay in settlement dates. This could arise as a result of an increase in the settlement periods or an extension in the delivery period for developments (beyond the schedule assumed by Aveo management) in order to manage capital. This results in a substantially lower NPV. Given the current operating conditions and weak macroeconomic conditions, Scenario B and C are considered reasonably probable especially given the increasing international trade disputes and recent sharemarket uncertainty.

Scenario D reflects a faster recovery in the residential property market in FY21 than assumed in Scenario A and is consistent with the growth rates in Scenario F in the valuation of Established Business. Development margins increase by 0.1% per annum due to higher property price growth. This scenario reflects a recovery from the recent residential property market downturn by FY23 (with growth reverting to the historical average growth rate as the market corrects for property pricing).

Analysis of the scenarios above indicates that there is limited upside (in addition to that already included in Scenario A). As such, in determining a value range, KPMG Corporate Finance has selected a value for Development (after consideration of the various Scenarios and the various factors impacting each of them) to be in range of \$460.0 million and \$510.0 million. This captures the high end of Scenario C and sits within Scenario B as it reflects that Scenario A is reasonably optimistic as it does not reflect any delays in settlements and assumes that long-term targets are met.

## 8.5 Valuation of US Seniors

### 8.5.1 Overview

KPMG Corporate Finance has assessed the value of Aveo's 100% interest in the equity of US Seniors to be in the range of \$35.7 million to \$36.7 million. In assessing the value of US Seniors, KPMG Corporate Finance has adopted a capitalisation rate analysis as the primary methodology. The value is lower than the reported book value of \$49.3 million as Aveo management has based the book value on indications of value in the recent sales process as well as a capitalisation rate cross check.

### 8.5.2 Capitalisation rate analysis

The capitalised earnings analysis was based on a normalised steady state net operating income (NOI) level as at 30 June 2019 and market based capitalisation rates sourced by KPMG Corporate Finance from CoStar Inc. and Real Capital Analysis (RCA).

Below are the key assumptions utilised in the capitalisation rate analysis:

- long-term historical occupancy was analysed by Aveo management to estimate an appropriate steady-state NOI
- steady-state NOI was adjusted by Aveo management to reflect current market rental rates at an occupancy of 80% noting that historical occupancy for the portfolio was 81%

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- the properties within the portfolio were considered to be Class B assets based on their location in secondary markets, average age between 10 and 20 years, financial performance and occupancy rates, and
- capitalisation rates in the range of 7.3% to 7.5% sourced from CoStar Inc. and RCA based on recent market sales of comparable properties in the states of Florida, Georgia and South Carolina.

Based on the assumption set out above, KPMG Corporate Finance has selected a value for US Seniors to be in the range of \$35.7 million to \$36.7 million. We note the reported book value of \$49.3 represents a capitalisation rate of 5.43% (utilising the same steady state income), which is lower than the recent capitalisation rates reported for similar properties.

### 8.6 Valuation of Care and Support Services

#### 8.6.1 Overview

KPMG Corporate Finance has assessed the value of Care and Support Services on a control basis to be in the range of \$50.6 million to \$52.3 million. This value includes the value of surplus land acquired for the purposes of proposed future RACF developments (refer Section 7.7).

#### 8.6.2 DCF analysis

In assessing the value of Care and Support Services, KPMG Corporate Finance has adopted a DCF analysis as the primary valuation methodology. We have utilised the DCF approach principally as Care and Support services reported a \$1.4 million EBITDA loss in FY19 and is budgeted to generate a small loss (near 'break-even') in FY20 (at EBITDA level) and return to profitability over the medium-term. The loss in FY20 is primarily a result of other support services, which are budgeted to make a loss similar to FY19 levels, offset to some extent by Aveo's Newstead RACF reaching budgeted occupancy levels in 1H FY20. The use of a Capitalised Earnings approach in these circumstances was not considered appropriate.

KPMG Corporate Finance has only included earnings from existing RACFs and support services currently in operation. We did not include the future earnings for proposed RACF developments as these developments are at early planning stages and hence there is significant uncertainty in relation to potential future development costs, operations and timing. We have treated the land already purchased for a proposed future development at Bella Vista (at a cost)<sup>149</sup> as a surplus asset and added that value to our valuation. The results of our DCF analysis, including the surplus land value is summarised below.

**Table 39: Summary of Care and Support Services valuation**

\$ million unless otherwise stated	Value range	
	Low	High
<b>Total Care and Support Services</b>	<b>50.6</b>	<b>52.3</b>

*Source: KPMG Corporate Finance analysis and Aveo Group Management*

The DCF analysis was based on a financial model developed by KPMG Corporate Finance referencing the Group Model prepared by Aveo. The DCF analysis uses as a starting point, the financial position of Care and Support Services as at 30 June 2019 and projects nominal, after tax cash flows to 30 June 2029, a period of 10 years. The FY20 earnings and free cash flows are principally based on Aveo's approved budget and the RADs expected to be received from incoming residents at Aveo's Newstead RACF, with operations post FY20 modelled broadly in line with Aveo's short-term (FY21 to FY23) forecast. Forecast

<sup>149</sup> Cost of Bella Vista property is included in the \$97.2m value of RACFs – Aveo FY19 Investor presentation, page A45

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cash flows beyond FY23 have been extrapolated largely based on FY23, taking into account assumptions made relating to forecast revenues, costs and movements in RAD balances (refer Appendix 6).

A terminal value is calculated in June 2029 to capture the value of Care and Support Services in the period beyond FY29 by capitalising net after tax cash flows based on a perpetual growth assumption of 2.5%. Ungeared, after tax cash flows are discounted by a WACC in the range of 8.5% to 9.3% (refer to Appendix 7). Given the tax structure of Aveo and the carried forward tax losses, the business is forecast to pay nil taxes.

A significant component of the DCF valuation is driven by the present value of expected future increases in RAD balances (**RAD Increases**) due to vacant beds being gradually occupied at Aveo's Newstead RACF (reaching 95% occupancy in H1FY20), turnover at other facilities (already at or above 95% occupancy) and property price growth.

For the purposes of the Care and Support Services valuation we have adopted the existing RAD balances as at 30 June 2019 and have applied a property price growth rate that is a weighted average of the property price growth rates we have adopted for the ILU and SAs for the relevant States (as discussed in Appendix 6), with weightings based on bed numbers and locations of the existing RACFs. For Aveo's new Newstead RACF, where occupancy was approximately 68.7% at 30 June 2019, we have incorporated the additional RAD's paid by incoming residents until 95% occupancy is reached in H1FY20 and then applied property price growth increases as outlined above.

In preparing the DCF valuation we have included the component of corporate costs that specifically relate to Care and Support Services.<sup>150</sup> From FY21, these expenses increase by 2.5% per annum.

The book value of Aveo's RACF assets at 30 June 2019 was reported at \$97.2 million<sup>151</sup> and Aveo advised that RAD liabilities related to residents at their RACFs totalled \$64.9m at 30 June 2019, implying a net asset balance of approximately \$32.3 million. This implied net asset value is \$18.0 million to \$20.0 million below the values we have calculated in our valuation. We consider that this difference principally reflects that Aveo only reports the written down values of RACFs in its financial statements rather than the current market value for these assets.

Details of the key assumptions adopted in our DCF valuation are set out in Appendix 6.

## 8.7 Unallocated corporate overheads

In valuing the business operations of Aveo, no allowance was made for unallocated corporate costs. In FY19, unallocated group overheads and incentive scheme were \$19.2 million. This amount includes public company costs (e.g. share registry, Directors' fees) as well as senior management and executives, employees engaged in asset management, occupancy expenses and group incentive scheme costs.

Based on interested parties identified in the Strategic Review, the most likely acquirer of Aveo is a financial buyer. A financial buyer of 100% of Aveo could likely save all of Aveo's public company costs. An allowance of \$193.6 million to \$211.2 million has been made in our valuation of Aveo to reflect the capitalised value of corporate head office costs. This amount has been calculated based on residual FY19 corporate overheads and a capitalisation multiple in the range of 11 to 12 based on multiples at which RC operators are trading and recent transactions in the industry.

<sup>150</sup> Aveo's investment property book values in Section 7.10.1 exclude these overhead/corporate costs in the calculation of fair value for financial reporting purposes

<sup>151</sup> Aveo FY19 Investor presentation, page A29

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### 8.8 Cross-check for Retirement valuation

KPMG Corporate Finance's selected value range for Retirement has been cross-checked having regard to multiples for Australian and New Zealand listed RC operators and multiples implied by recent transactions involving RC operators. These multiples are summarised below and set out in detail in Appendix 8.

#### 8.8.1 Sharemarket evidence

The following table sets out the implied EBITDA and EBIT multiples, price to NTA multiples and multiples of units for selected listed RC operators in Australia and New Zealand.

Table 40: Sharemarket evidence – RC operators

	Market Capitalisation (\$ million) <sup>1</sup>	EBITDA multiple <sup>2</sup>			EBIT multiple <sup>3</sup>			P/NTA <sup>4</sup>	EV / Total units <sup>5</sup>
		Historical	FY+1	FY+2	Historical	FY+1	FY+2		
Aveo <sup>6</sup>	992	24.6	31.3	20.8	26.3	34.7	22.1	0.4	140
<b>Australia</b>									
Lifestyle	792	35.0	n/a <sup>7</sup>	n/a	36.0	n/a	n/a	3.1	388
Eureka	67	13.1	13.0	12.7	17.2	13.3	13.0	n/a	51
<b>New Zealand</b>									
Ryman	6,050	29.1	25.3	22.2	31.8	27.5	24.0	3.1	746
Summerset	1,326	16.6	13.4	11.8	n/a	14.2	12.5	1.4	410
Metlifecare	883	11.7	11.7	10.6	12.3	12.5	11.2	0.6	247
Arvida	721	18.9	16.3	14.4	21.1	18.1	16.0	1.2	255

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, KPMG Corporate Finance analysis

1. Market capitalisation calculated using share price as at 23 September 2019 in Australian dollars
2. Represents the implied enterprise value (excluding earn outs payable) divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items. Includes realised gains/(losses) on resale units and any realised development profits/(losses), however, excludes fair value gains/(losses) on investment properties.
3. Represents the implied enterprise value divided by EBIT, where EBIT is EBITDA less depreciation and amortisation.
4. NTA as at last reported date.
5. Total units includes both retirement units and care units (if applicable).
6. Aveo's undisturbed Security price of \$1.715 from 12 February 2019 has been used to calculate market capitalisation and enterprise value.
7. n/a represents not available.

In relation to the table above, the following is relevant:

- multiples are based on sharemarket prices and, therefore, do not typically include a control premium
- all comparable companies have a 30 June year end except for Ryman and Arvida Group Limited (**Arvida**), which have 31 March year ends, and Summerset Group Holdings Limited (**Summerset**), which has a 31 December year end
- Eureka and Lifestyle were identified as the only listed 'pure play' RC operators in Australia. Of those:
  - Lifestyle has 18 residential land lease communities in planning, development or under management, primarily on the outskirts of Melbourne and Geelong. As at 30 June 2019, its portfolio included 2,284 ILUs sold and occupied and another 1,279 awaiting settlement (of which most are still under development or awaiting commencement). Lifestyle employs a DMF model (capped at 20% in the fifth year), although DMF revenue represents a small share of total revenue (3% in FY19), yet a higher share of total management revenue (15% of management revenue). Unlike other Australian RC operators, Lifestyle has maintained growth in home settlements

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through FY19 (up 19% year-on-year) and is projecting a favourable growth outlook (management forecast up to 420 settlements in FY21, 35% higher than FY20), likely accounting for its relatively high trading multiple of at 35.0 times historical EBITDA

- Eureka's units are at a lower price point and RCs are mainly located in regional areas. As at 30 June 2019, it owned 30 RCs and managed a further 9 RCs representing 2,119 units across Queensland, New South Wales, Victoria, Tasmania and South Australia. Eureka's multiples are relatively low (13.1 times historical EBITDA and 13.0 times forecast EBITDA) likely reflecting its smaller scale, lower price point and regional locations
- New Zealand RC operators are similar to Aveo's Retirement operations as they adopt a DMF model, lease properties, capture all CGs and capital losses and offer both RCs and aged care. However, the aged care operations of the New Zealand companies generally comprise a larger share of the portfolio. Similar to Australia, the New Zealand residential property market performed strongly over the past five years, however, is facing pressure with a slowdown in the growth of residential property prices over the short to near term due to regulatory intervention and over supply.<sup>152</sup> In relation to these companies:
  - Ryman is the leading RC operator in New Zealand. It owns and operates 36 RCs with a land bank of 16 further RCs in development. Its operating portfolio includes 5,548 units and 3,660 aged care beds. It has a significant development pipeline which includes 4,950 units and 2,062 aged care beds, which may account for its relatively high price to NTA multiple. Ryman also has a foothold in the Australian market with two RCs in Victoria which contributed 6% of FY19 revenue and a further eight RCs under development. Ryman's substantial scale and market leadership in New Zealand, significant development pipeline and proven track record of delivering developments likely explain its relatively high multiples (29.1 times historical EBITDA and 25.3 times forecast EBITDA)
  - Summerset is smaller in scale than Aveo's Retirement operations, with a portfolio of 23 RCs completed or under development across New Zealand, comprising 3,732 units, although it has a larger aged care portfolio with 858 beds. Its development pipeline includes 4,883 units and 712 aged care beds. Summerset's RC portfolio also has a similar proportion of ILUs (76%) to SAs (24%) as Aveo's portfolio. Although its DMF cap (25%) is lower than Aveo's, it is accrued over a similar time frame (two to four years). DMF represented 20% of total revenue which, although lower, is comparable to Aveo (26% of total revenue). Its multiples are relatively low (16.6 times historical EBITDA and 13.4 times forecast EBITDA), potentially reflecting its smaller scale and relatively high gearing (31.3%)
  - Metlifecare Limited (**Metlifecare**) owns and operates 24 RCs comprising 4,478 ILUs and a relatively small aged care business with 440 aged care beds and suites. Its development pipeline is relatively small (1,104 units and 223 aged care beds) compared to its peers, which may explain its low price to NTA multiple (0.6 times). The company has a greater focus on ILUs (91% of portfolio), however, derives a similar share of income (26%) from DMFs and adopts a similar DMF model to Aveo (cap of 30% accrued over three years). Its multiples are relatively low (11.7

<sup>152</sup> The New Zealand Government's decision to ban foreign buyers from the residential housing market is likely to reduce industry revenue generated from the sale of high-value properties. In addition, the government's commitment to build 100,000 homes by 2028 is forecast to boost the supply of housing, further limiting growth in residential. (IBIS World, April 2019). The ABS forecast 0.9% in the 12 months to June 2019, with key markets such as Auckland decreasing by 3.1%, followed by a moderate recovery of 5.5% in the 12 months to June 2020, with falling interest rates and population growth driving house price inflation in regional markets (ABS, Home Economics, August 2019)

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times historical EBITDA and 11.7 times forecast EBITDA), likely reflecting its smaller scale, and

- Arvida operates 29 RCs with 1,955 units and 1,722 aged care beds. The development pipeline includes over 1,136 units and 69 aged care beds. Arvida's DMF model is capped at 25% after four years for ILUs and 20% after two years for SAs. Due to its large aged care portfolio, care fees account for the majority of income (67%) while DMF revenue accounted for 12% of total revenue.<sup>153</sup> Its multiples are relatively high at (18.9 times historical EBITDA and 16.3 times forecast EBITDA) likely reflecting its strong growth outlook and high proportion of recurring revenue, despite its smaller scale.

### 8.8.2 Transaction evidence

Transactions involving RC operators outside Australia and New Zealand have not been included since they operate in markets which have different rates of economic growth, regulatory frameworks and residential property markets which significantly impact their growth prospects and margins and, therefore, multiples. No relevant transactions were identified in New Zealand.

Given the material changes to property and debt markets both globally and in Australia following the global financial crisis, only transactions that have occurred from 2010 to present have been considered.

The following table sets out the implied EBITDA and EBIT multiples and price to NTA multiples transactions involving RC operators in Australia.

**Table 41: Transaction evidence – RC operators**

Date	Target	Acquired %	Implied Enterprise Value (\$ millions) <sup>1</sup>	EBITDA Multiple <sup>2</sup>		EBIT Multiple <sup>3</sup>		P/NTA LTM
				Historical	Forecast	Historical	Forecast	
<b>Retirement operators</b>								
Jun-18	Gateway	82.5%	931	19.1	18.0	19.3	18.2	1.4
Aug-16	RVG	27.0%	370	nmf <sup>4</sup>	n/a <sup>5</sup>	nmf	n/a	0.9
Apr-16	RVG	31.0%	326	nmf	n/a	nmf	n/a	0.8
Dec-14	Retire Australia	100.0%	618	n/a	n/a	18.0	16.5	0.9
Jul-10	Aevum	84.3%	409	12.7	n/a	13.2	n/a	0.9

Source: Company financial statements, company announcements, press releases, broker reports, S&P Capital IQ, Mergermarket, KPMG Corporate Finance analysis

Notes:

1. Implied enterprise value represents consideration plus net borrowings and displayed in millions as per the local currency relevant to the transaction.
2. Represents the implied enterprise value (excluding earn outs payable) divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items. Includes realised gains/(losses) on resale units and any realised development profits/(losses), however, excludes fair value gains/(losses) on investment properties.
3. Represents the implied enterprise value divided by EBIT, where EBIT is EBITDA (as described in point 2) less depreciation and amortisation.
4. Nmf represents not meaningful.
5. n/a represents not available.

In relation to the transaction evidence, the following is relevant:

- there are few transactions for which multiples of EBITDA or EBIT are available:

<sup>153</sup> Other sources of income include realised gain on resales (11% of total revenue), realised development margin (4%), weekly site fees from RC operations (5%) and other RC revenue 1%.

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- Gateway (2018) had 58 residential communities with a similar focus to Aveo on the Australian eastern coast (sites were primarily in New South Wales, Queensland, Victoria, South Australia, and the Australian Capital Territory). Unlike Aveo, Gateway operated through a land lease model and did not employ a DMF model, making it less comparable to Retirement. The transaction occurred at relatively high multiples of 19.1 times historical EBITDA and 18.0 times forecast EBITDA, which may reflect that the transaction occurred as part of a competitive takeover situation
- Retire Australia (2014) was the fourth largest RC operator in Australia, consisting of 3,700 ILUs and SAs with a similar geographical focus (New South Wales, Queensland and South Australia) to Aveo. Similar to Aveo, Retire Australia employed a DMF model. The transaction occurred at multiples of 18.0 times historical EBIT and 16.5 times forecast EBIT
- Aevum (2010) was a RC and aged care operator. Its RC operations comprised 2,803 ILUs and 343 SAs and similar to Aveo, it employed a DMF model. The retirement portfolio was focused on Australia's east coast as well as Western Australia and South Australia. Aevum's aged care business comprised 367 beds. The relatively low multiples (12.7 times historical EBITDA and 13.2 times historical EBIT) may reflect the slower growth outlook for the property market following the GFC (the value of its retirement portfolio as at 30 June 2010 assumed growth in property prices of 2.4% in year 1 and 3.4% in year 2)
- most of the transactions occurred at a price to NTA multiple in the range of 0.8 to 0.9 times. A multiple of less than 1 is not unexpected for acquisitions of RC operators since valuations of retirement properties as reflected in their book values typically do not include a number of costs required to operate the portfolios. This can be distinguished from A-REIT transactions, which typically have a greater proportion of operating costs allocated to properties and are more passive in nature, and
- the acquisition of Gateway in June 2018 occurred at a price to NTA multiple of 1.4 times. The relatively high multiple of NTA likely reflects Gateway's significant development pipeline (including 13 communities with 981 sites designated for ultimate conversion and four greenfield projects consisting of 596 sites as at 30 June 2018) for which substantial development profits were expected to be generated.

### 8.8.3 Summary

Metlifecare and Summerset are the closest to 'pure play' RC operators in New Zealand and are the most comparable to Aveo in terms of business model. Multiples are in the range of 11.7 to 16.6 historical EBITDA and 11.7 to 13.4 forecast year 1 EBITDA (calculated on a minority basis). Price to NTA multiples are in a wide range (0.6 to 3.1). The high end is represented by Ryman, which has a substantial development pipeline and proven track record of delivering developments. The low end is represented by Metlifecare which has a relatively limited development pipeline.

The most relevant transactions involving RC operators (Gateway and Retire Australia) occurred at multiples of 19.1 times historical EBITDA, 18.0 times forecast EBITDA, 18.0-19.3 times historical EBIT and 16.5 to 18.2 times forecast EBIT. The high end of this range is represented by Gateway, which involved a competitive bidding situation. Price to NTA for transactions were generally 0.8-0.9 (other than for Gateway, which had a substantial development portfolio).

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### 8.8.4 Implied multiples

The value attributed to the business operations of Retirement of \$1,855.1 to \$2,025.4 million implies the following multiples of EBITDA.

**Table 42: Retirement implied EBITDA multiples**

	Underlying EBITDA \$ million	Value range	
		Low	High
<b>Value of Retirement operating business (\$ million)</b>		<b>1,855.1</b>	<b>2,025.4</b>
<b>Multiple of underlying EBITDA:</b>			
FY18 (actual) - delivered basis <sup>1</sup>	119.4	15.5x	17.0x
FY18 (actual) - settlement basis <sup>2</sup>	59.1	31.4x	34.3x
FY19 (actual) - delivered basis <sup>3</sup>	38.0	48.8x	53.3x
FY19 (actual) - settlement basis <sup>4</sup>	25.9	71.6x	78.2x
FY20 (broker consensus) <sup>5</sup>	56.0	33.1x	36.2x

Source: KPMG Corporate Finance analysis.

Notes:

1. Calculated as \$140.9 million of Retirement underlying EBITDA less \$21.4 million of unallocated group overheads, incentive scheme and group marketing. Refer to Table 12 of this report.
2. Adjusts Retirement underlying EBITDA from note 1 above by the difference between Development profit contribution (settlement basis) of \$20.3 million (Table 19) and Development profit contribution (delivered basis) of \$80.6 million (Table 18).
3. Calculated as \$57.2 million of Retirement underlying EBITDA less \$19.2 million of unallocated group overheads and incentive scheme. Refer to Table 12 of this report.
4. Adjusts Retirement underlying EBITDA from note 3 above by the difference between Development profit contribution (settlement basis) of (\$1.0 million) (Table 19) and Development profit contribution (delivered basis) of \$11.1 million (Table 18).
5. Refer to Table 29 of this report.

Aveo has not released detailed earnings forecasts for FY20 or beyond. Accordingly, the implied forecast multiples set out above are based on the median of broker forecasts of Retirement (refer to Appendix 4).

The implied EBITDA multiples for Retirement are generally high in comparison to market evidence, however, are reasonable, taking into account the following:

- multiples implied by the valuation of Retirement include a premium for control whereas multiples at which RC operators are trading do not
- on a delivered basis, EBITDA multiples in FY18 are consistent with peers (noting FY18 earnings includes the impact of Newstead), however, in FY19 were high as Development profits declined
- Aveo's settlements have been adversely impacted by the downturn in the Australian residential property market and reputation issues associated Aveo and the retirement industry in Australia
- Aveo's long-term earnings growth prospects, underpinned by favourable industry fundamentals (i.e. ageing population, housing affordability and financial pressure on retirees),<sup>154</sup> potential for earnings growth with a recovery in the residential property market, increased take up of the Aveo Way suite of contracts (which have a higher DMF and CG margin than legacy contracts)<sup>155</sup> and continued FAC SA conversions,<sup>156</sup> and
- the characteristics of Aveo's Established Business portfolio, including its predominantly metropolitan locations, shorter tenure relative to peers, mix of freehold and leasehold ownership.<sup>157</sup>

<sup>154</sup> Refer to Section 6.7 of this report.

<sup>155</sup> Refer to Section 7.5.2 of this report.

<sup>156</sup> Described in Section 7.6 of this report.

<sup>157</sup> Refer to Sections 7.5.1 and 7.5.2 of this report.

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The value attributed to the Retirement on a per security basis of \$1.91 to \$2.20 (geared)<sup>158</sup> and \$3.19 to \$3.49 (ungeared)<sup>159</sup> implies the following multiples of NTA.

**Table 43: Retirement implied NTA multiples**

	NTA per Aveo Security \$	Value range	
		Low	High
<b>Value of Retirement per Aveo Security (geared) (\$)</b>		<b>1.86</b>	<b>2.16</b>
<b>Value of Retirement per Aveo Security (ungeared) (\$)</b>		<b>3.19</b>	<b>3.49</b>
<i>Multiple of NTA per Aveo Security:</i>			
Book value of NTA at 30 June 2019 (geared) <sup>1</sup>	3.28	0.6x	0.7x
Book value of NTA at 30 June 2019 (ungeared) <sup>2</sup>	4.61	0.7x	0.8x

Source: KPMG Corporate Finance analysis.

Notes:

1. Calculated as 30 June 2019 NTA per Aveo Security of \$3.50, less Non-Operating and surplus assets divided by diluted number of securities outstanding.
2. Calculated as geared NTA per Security for Retirement plus adjusted net interest bearing liabilities divided by diluted number of securities outstanding.

Multiples of NTA observed in recent transactions are generally in the range of 0.8 to 0.9. Multiples of NTA based on sharemarket trading are in a wide range, however, we note that Metlifecare, which has a relatively limited development pipeline, is trading at a price to NTA multiple of 0.6 times.

The implied multiples of NTA for Retirement while low in comparison to market evidence, are reasonable, taking into account the following:

- consistent with industry practice, cash flows utilised to derive the book value of Aveo’s investment properties do not include all divisional expenses and unallocated expenses.<sup>160</sup>, and
- KPMG Corporate Finance has valued a portion of units (3,198) in Aveo’s pipeline (4,717) and has not attributed value to the development platform.

## 8.9 Valuation of Non-Retirement land assets

KPMG Corporate Finance has assessed the value of Aveo’s 100% interest in the equity of the Non-Retirement assets (i.e. residential and commercial land holdings) to be \$81.4 million. In assessing the value of Non-Retirement assets, KPMG Corporate Finance has adopted the book value of non-retirement assets based on the carrying values as at 30 June 2019 as being a reasonable proxy for market value, summarised below.

**Table 44: Non-Retirement land assets**

\$ million unless otherwise stated	As at 30 June 2019
Residential Land	60.6
Industrial and Commercial Land	20.8
<b>Total Non-Retirement land assets</b>	<b>81.4</b>

Source: Aveo FY Investor Presentation and KPMG Corporate Finance analysis

Note: Individual site values have not been disclosed as considered commercially sensitive.

<sup>158</sup> Calculated as assessed value per Aveo Security less Non-Retirement inventories and surplus assets divided by diluted number of securities on outstanding.

<sup>159</sup> Calculated as geared value per security plus adjusted net interest bearing liabilities divided by diluted number of securities on outstanding.

<sup>160</sup> Refer to Section 7.10.1 of this report.

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Non-core, non-retirement land assets continue to be divested in line with Aveo's strategy, and Aveo management expect the net proceeds to be realised from the sale of these assets to be broadly in line with reported book values.

Aveo record the value of Non-Retirement land inventory at the lower of cost and net realisable value, booking impairments when the net realisable value of inventory is below cost. Internal valuations are prepared annually in May each year as part of Aveo's wider impairment review process.

We have held discussions with Aveo management regarding the annual impairment testing process, reviewing Aveo's impairment calculations and underlying assumptions for the 30 June 2019 year end. The overarching purpose of Aveo's annual impairment review process in relation to 'non-retirement land inventory' is to ensure that 'land inventory' is recorded at the lower of cost and net realisable value.

For commercial and industrial 'land inventory' that was impaired at 30 June 2019, we are satisfied that the impairment to carrying values means that the book values at 30 June 2019 are reflective of market value. For residential 'land inventory' not impaired at 30 June 2019 (but impaired historically) and carried at written down net realisable value, we note that Aveo's analysis indicated that there were no factors that supported a significant uplift in value in the current market environment and hence no reversal of historic impairment was supported. Given this analysis and Aveo management's expectation, as noted above that most, if not all 'land inventory' will be sold in FY20 at or around book value, we have concluded that reported book values are a reasonable estimate of market value.

At 30 June 2019, Aveo had 182 residential lots available for sale with 54 under contract (valued at \$25.0 million<sup>161</sup>) as summarised below.

**Table 45: Residential land under contract as at 30 June 2019**

Location	Available lots	Undercontract	Remaining lots
Column Ridges, Peregian Springs	99	18	81
Peregian Springs	7	3	4
Saltwater Creek, Point Cook	44	29	15
Rochedale Estates, Rochedale	31	4	28
<b>Total Land under contract</b>	<b>181</b>	<b>54</b>	<b>128</b>

Source: Aveo FY19 Investor Presentation and KPMG Corporate Finance analysis

Based on current levels of enquiry and marketing activity, Aveo is confident that the majority of remaining residential lots will be sold in FY20 with all settlements finalised in FY21.

For industrial and commercial land holdings, Aveo remains active in seeking buyers for these land holdings. The carrying values at which The Mill at Albion and the Mackay Turf Farm at Mackay were held at 30 June 2019, reflect a toughening of foreign investor controls and lower sales rates for englobo developments sites. The Mackay site has now been partly subdivided to enhance marketability with the majority of the site already sold, with only Stage 7 and Stage 8 remaining. The book value of The Mill at Albion incorporates Aveo's views that a softening of the apartment market and surrounding competition in inner city Brisbane has depressed the value of this site. Hence the book value of this site at 30 June 2019 is considered by Aveo to be reflective of its current market value.

Based on the analysis above, we have adopted book values totalling \$81.4 million as being a reasonable proxy for market value.

### 8.10 Surplus assets and liabilities

Surplus assets and liabilities represent those assets and non-trading liabilities that are not required in order for Aveo to continue to realise its principal source of earnings. Aveo's other assets have been valued at \$48.6 million and mainly include buildings (Peregian Springs Golf Club, Newstead commercial, Bella

<sup>161</sup> Aveo FY19 Investor Presentation, page A29

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Vista commercial and Springfield wellness centre), land and the mark-to-market value of the foreign exchange derivative as at 31 August 2019.

**Table 46: Surplus assets**

\$ million unless otherwise stated	as at 30 June 2019
Buildings <sup>1</sup>	38.8
Other <sup>2</sup>	7.8
Derivative	2.0
<b>Surplus assets</b>	<b>48.6</b>

Source: Aveo FY19 Investor Presentation

Notes:

1. Includes Peregrin Springs Golf Club, Newstead commercial, Bella Vista commercial and Springfield wellness centre.
2. Other includes land (\$3.8 million), leasehold improvements (\$2.0 million), property, plant & equipment (\$1.7 million) and vehicles (\$0.3 million).

No value has been attributed to:

- Aveo's \$5.4 million capitalised borrowing costs as at 30 June 2019 since such costs are not realisable
- intangibles, which mainly relate to bed licences, which are captured in the valuation of Care and Support Services, and
- the class action as the potential liability is not quantifiable at this time.

### 8.11 Adjusted net interest bearing liabilities

As at 30 June 2019, Aveo had a cash balance of \$53.3 million and \$792.9 million of interest bearing liabilities (including \$0.5 million of finance lease liabilities). In calculating adjusted net interest bearing liabilities, Aveo's cash has been reduced by restricted cash (\$1.3 million), the amount of the FY19 distribution of \$26.0 million (4.5 cents per Aveo security) declared on 24 June 2019 and to be paid on 30 September 2019 and cash payments to senior management for Aveo Incentives (\$6.2 million).

**Table 47: Adjusted net interest bearing liabilities**

\$ million unless otherwise stated	as at 30 June 2019
Cash and cash equivalents	53.3
Less: restricted cash	(1.3)
Less: FY19 distribution	(26.0)
Less: cash settled Aveo Incentives <sup>1</sup>	(6.2)
<b>Interest bearing liabilities</b>	<b>(792.9)</b>
<b>Adjusted net interest bearing liabilities</b>	<b>(773.1)</b>

Source: KPMG Corporate Finance analysis.

Note 1: Calculated as 2,883,465 Aveo Incentives times the \$2.15 Cash Consideration.

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### **Appendix 1 – KPMG Corporate Finance Disclosures**

#### ***Qualifications***

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Bill Allen and Ian Jedlin. Each is an authorised representative of KPMG Corporate Finance and a partner of KPMG and has a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. Bill is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Applied Finance. Ian is a member of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australasia and holds a Master of Commerce.

#### ***Disclaimers***

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Aveo Securityholders. KPMG Corporate Finance expressly disclaims any liability to any Aveo Securityholders who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Schemes. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Schemes.

#### ***Independence***

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Aveo and Brookfield for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

#### ***Consent***

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to Aveo Securityholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

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## Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

### *Publicly available information:*

- the Scheme Booklet (including earlier drafts)
- the Scheme Implementation Deed released to the ASX on 14 August 2019
- audited annual reports and investor presentations for Aveo for FY16 to FY19
- press releases, public announcements, media and analyst presentations material and other public filings by Aveo, including information available on Aveo's website
- brokers' reports and recent press articles on Aveo
- security market data and related information regarding listed RC operators, or related operations and on acquisitions of companies and businesses in this industry
- various reports on the retirement industry including from Property Council of Australia, Australian Bureau of Statistics, Domain, CoreLogic, BIS Oxford and IBISWorld
- financial information from S&P Capital IQ, IRESS, Bloomberg, ThomsonONE and Connect4.

### *Non-public information*

- Board papers, presentations, working papers and other confidential documents of Aveo
- forward looking information (DMF Model, Development Model and Group Model) for the Aveo portfolio prepared by Aveo management.

In addition, we have held discussions with, and obtained information from, the senior management of Aveo and its advisors.

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### Appendix 3 – Established Business and Development portfolios

Table 48: Established Business property portfolio as at 30 June 2019

Community	Location	Portfolio	ILU	Number of Units		Total
				SA	FAC SA	
<b>New South Wales</b>						
Aveo Banora Point	Banora Point	RVG	125	-	-	125
Aveo Bayview Gardens	Bayview	Aveo	262	38	-	300
Aveo Bella Vista	Bella Vista	Aveo	64	-	-	64
Aveo Camden Downs	Camden South	RVG	65	-	-	65
Aveo Lindfield Gardens	East Lindfield	Aveo	138	40	-	178
Aveo Maple Grove	Casula	Aveo	112	-	-	112
Aveo Minkara Resort	Bayview	Aveo	159	43	-	202
Aveo Mosman Grove	Mosman	RVG	31	37	-	68
Aveo Mountain View	Murwillumbah	Aveo	220	51	-	271
Aveo Newcastle	Newcastle	Aveo	95	-	-	95
Aveo Peninsula Gardens	Bayview	Aveo	77	34	-	111
Fernbank	St Ives	RVG	156	37	-	193
Freedom Banora Point	Banora Point	FAC	-	-	84	84
Freedom Coffs Harbour	Coffs Harbour	FAC	-	-	50	50
Freedom Tamworth	Tamworth	FAC	-	-	56	56
Freedom Tweed Heads	Tweed Heads	FAC	-	-	70	70
Island Point	St Georges Basin	Aveo	101	-	-	101
Pittwater Palms	Avalon Beach	RVG	127	41	-	168
The Manors Of Mosman	Mosman	RVG	133	21	-	154
<b>Queensland</b>						
Aveo Albany Creek	Albany Creek	Aveo Healthcare	304	-	-	304
Aveo Amity Gardens	Amity Garden	Aveo	119	-	-	119
Aveo Aspley Court	Aspley	Aveo	118	44	-	162
Aveo Bridgeman Downs	Bridgeman Downs	Aveo	113	73	-	186
Aveo Carindale	Carindale	Aveo	163	41	-	204
Aveo Cleveland	Cleveland	Aveo Healthcare	110	28	-	138
Aveo Cleveland Gardens	Ormiston	Aveo	154	-	-	154
Aveo Durack	Durack	Aveo Healthcare	523	104	-	627
Aveo Lindsay Gardens	Buderim	Aveo	122	52	-	174
Aveo Manly Gardens	Manly	Aveo	168	-	-	168
Aveo Newmarket	Newmarket	Aveo	75	-	-	75
Aveo Newstead	Newstead	Aveo	144	55	-	199
Aveo Palmview	Palmview	Aveo	38	-	-	38
Aveo Peregrin Springs	Peregrin Springs	Aveo	189	48	-	237
Aveo Robertson Park	Robertson	Aveo	90	32	-	122
Aveo Robina	Robina	Aveo	126	-	-	126
Aveo Southport Gardens	Southport	Aveo	90	-	-	90
Aveo Springfield	Springfield	Aveo	104	48	-	152
Aveo Sunnybank Green	Sunnybank	Aveo	56	-	-	56
Aveo Taringa	Taringa	Aveo Healthcare	102	37	-	139
Aveo The Domain	Ashmore	Aveo	323	52	-	375
Aveo The Parks	Earlville	Aveo	157	-	-	157
Aveo Tranquility Gardens	Helensvale	Aveo	115	-	-	115
Freedom Albany Creek	Albany Creek	FAC	-	-	83	83
Freedom Bridge Street	Toowoomba	FAC	-	-	58	58
Freedom Clayfield	Clayfield	FAC	-	-	39	39
Freedom Cleveland	Ormiston	FAC	-	-	66	66
Freedom Morayfield	Caboolture South	FAC	-	-	104	104
Freedom Redland Bay	Redland Bay	FAC	-	-	81	81
Freedom Rochedale	Rochedale	FAC	-	-	110	110
Freedom Tanah Merah	Slacks Creek	FAC	-	-	124	124
Freedom Taylor Street	Toowoomba	FAC	-	-	103	103
The Clayfield	Albion	Aveo Healthcare	236	-	-	236

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Community	Location	Portfolio	ILU	Number of Units		Total
				SA	FAC SA	
<b>South Australia</b>						
Aveo Ackland Park	Everard Park	Aveo	30	20	-	50
Aveo Carisfield	Carisfield	Aveo	103	-	-	103
Aveo Crestview	Hillcrest	Aveo	88	-	-	88
Aveo Fulham	Fulham	Aveo	68	27	-	95
Aveo Glynde Lodge	Glynde	Aveo	80	-	-	80
Aveo Gulf Point	North Haven	Aveo	55	-	-	55
Aveo Kings Park	Kings Park	Aveo	19	31	-	50
Aveo Leabrook Lodge	Rostrevor	Aveo	62	-	-	62
Aveo Leisure Court	Fulham Gardens	Aveo	43	-	-	43
Aveo Manor Gardens	Salisbury East	Aveo	40	32	-	72
Aveo Melrose Park	Melrose Park	Aveo	89	36	-	125
Aveo Riverview	Elizabeth Vale	Aveo	53	-	-	53
Aveo The Braes	Reynella	Aveo	103	28	-	131
Aveo The Haven	North Haven	Aveo	36	31	-	67
Aveo Westport	Queenstown	Aveo	62	-	-	62
<b>Tasmania</b>						
Aveo Derwent Waters	Claremont	Aveo	112	45	-	157
Aveo Mowbray Links	Mowbray	Aveo	45	29	-	74
<b>Victoria</b>						
Aveo Bentleigh	Bentleigh	RVG	27	43	-	70
Aveo Botanic Gardens	Cranbourne	RVG	157	-	-	157
Aveo Cherry Tree Grove	Croydon	RVG	354	36	-	390
Aveo Edrington Park	Berwick	RVG	149	-	-	149
Aveo Fountain Court	Burwood	RVG	130	-	-	130
Aveo Hampton Heath	Hampton Park	Aveo	53	-	-	53
Aveo Kingston Green	Cheltenham	RVG	108	-	-	108
Aveo Mingarra	Croydon	Aveo	174	-	-	174
Aveo Oak Tree Hill	Glen Waverley	RVG	147	-	-	147
Aveo Pinetree	Donvale	RVG	73	-	-	73
Aveo Roseville	Doncaster East	RVG	111	-	-	111
Aveo Springhorpe	Macleod	RVG	88	-	-	88
Aveo Sunbury	Sunbury	RVG	102	-	-	102
Aveo The George	Sandringham	RVG	74	-	-	74
Aveo Veronica Gardens	Northcote	RVG	58	54	-	112
Domaine	Doncaster	RVG	167	-	-	167
Freedom Balwyn <sup>1</sup>	Balwyn	RVG	-	53	-	53
Freedom Bendigo	Bendigo	FAC	-	-	96	96
Freedom Berwick	Berwick	FAC	-	-	35	35
Freedom Burwood	Burwood	FAC	-	-	42	42
Freedom Cheltenham <sup>1</sup>	Cheltenham	RVG	-	40	-	40
Freedom Concierge Balwyn	Balwyn	FAC	-	-	71	71
Freedom Concierge Bayside <sup>1</sup>	Hampton	RVG	86	-	-	86
Freedom Doncaster	Doncaster East	FAC	-	-	38	38
Freedom Dromana	Safety Beach	FAC	-	-	67	67
Freedom Geelong	Grovedale	FAC	-	-	48	48
Freedom Glen Waverley	Glen Waverley	FAC	-	-	47	47
Freedom Hawthorn <sup>1</sup>	Hawthorn	RVG	-	39	-	39
Freedom Sandringham <sup>1</sup>	Sandringham	RVG	-	36	-	36
Hunters Green	Cranbourne	RVG	210	-	-	210
Sackville Grange	Kew	RVG	97	-	-	97
Toorak place	Toorak	RVG	54	-	-	54
<b>Total</b>			<b>9,111</b>	<b>1,536</b>	<b>1,472</b>	<b>12,119</b>

Source: Aveo Full Year FY19 Investor Presentation, Aveo and KPMG Corporate Finance analysis

Note 1: Includes RCs transitioning units to FAC offering.

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**Table 49: Major Development pipeline units**

Community	Category	State	Density	Units	FY20	FY21+
<i>New South Wales</i>						
Island Point	Brownfield	New South Wales	Low	54	25	29
Newcastle	Brownfield	New South Wales	Low	205	37	168
Bella Vista	Brownfield	New South Wales	High	400	-	400
Tamworth	Brownfield	New South Wales	Low	20	-	20
<i>Queensland</i>						
Robertson Park	Redevelopment	Queensland	Medium	138	-	138
Springfield	Brownfield	Queensland	Medium	2,204	-	2,204
Carindale	Redevelopment	Queensland	High	333	-	333
Redland Bay	Brownfield	Queensland	Low	24	-	24
Palmview	Brownfield	Queensland	Low	100	-	100
Tanah Merah	Brownfield	Queensland	Medium	20	-	20
Newmarket	Redevelopment	Queensland	Medium	258	-	258
Broadwater	Greenfield	Queensland	High	96	-	96
Rosedale	Greenfield	Queensland	Low	219	-	219
Sanctuary Cove	Greenfield	Queensland	Low	163	-	163
Southport	Redevelopment	Queensland	Medium	215	-	215
<i>Tasmania</i>						
Mowbray Links	Brownfield	Tasmania	Low	45	-	45
<i>Victoria</i>						
Mingarra	Redevelopment	Victoria	Medium	180	-	180
Bentleigh	Redevelopment	Victoria	Medium	43	-	43
<b>Major Development</b>				<b>4,717</b>	<b>62</b>	<b>4,655</b>

Source: Aveo Full Year FY19 Investor Presentation, Aveo and KPMG Corporate Finance analysis

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**Table 50: Major Development pipeline units**

Community	Number of Units		Total
	Refurbishment	Conversion	
<i>Conversion Villages</i>			
Edrington Park	1	16	17
Albany Creek	-	47	47
Cleveland Gardens	-	44	44
Concierge Balwyn	20	31	51
Fountain Court	13	18	31
Roseville	12	16	28
Oak Tree Hill	20	17	37
The George	22	67	89
Lisson Grove	17	15	32
Kingston Green	15	18	33
Balwyn Manor	33	11	44
Concierge Bayside	25	52	77
<b>Total Conversion Units</b>	<b>178</b>	<b>352</b>	<b>530</b>
<i>Original Freedom Villages</i>			
Freedom Banora Point	3	-	3
Freedom Bendigo	19	-	19
Freedom Bridge Street	2	-	2
Freedom Coffs Harbour	14	-	14
Freedom Dromana	31	1	32
Freedom Geelong	1	-	1
Freedom Launceston	31	-	31
Freedom Morayfield	2	-	2
Freedom Redland Bay	2	-	2
Freedom Tamworth	1	-	1
Freedom Tanah Merah	1	-	1
Freedom Taylor Street	8	-	8
Freedom Tweed Heads	-	-	-
<b>Total Original Freedom Villages</b>	<b>115</b>	<b>1</b>	<b>116</b>
<b>Total Minor Development</b>	<b>293</b>	<b>353</b>	<b>646</b>
<i>Proportion %</i>	<i>45%</i>	<i>55%</i>	<i>100%</i>

Source: Aveo Full Year FY19 Investor Presentation, Aveo and KPMG Corporate Finance analysis

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### **Appendix 4 – Broker consensus**

In order to provide an indication of the expected future financial performance of Aveo, KPMG Corporate Finance has had regard to the broker forecasts for Aveo for FY20.

Set in the tables on the following pages is a summary of the forecasts (both on a consolidated level as well as the individual segments) prepared by brokers that follow Aveo. When reviewing this data it should be noted that:

- the forecasts represent the latest available broker forecasts for Aveo as at 23 September 2019, and
- as far as KPMG Corporate Finance is aware, Aveo is followed by six brokers of which five have released updated earnings forecasts following the FY19 trading update on 24 June 2019 and only two have updated forecasts following the release of FY19 results on 28 August 2019. We note that results were broadly in line with expectations, as such all brokers forecasts post 24 June 2019 have been included.

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**Table 51: Brokers' revenue, underlying EBITDA and underlying EBIT for Aveo**

Broker	Report date	Sales Revenue (A\$ million)		Underlying EBITDA (A\$ million)		Underlying EBIT (A\$ million)	
		FY19	FY20	FY19	FY20	FY19	FY20
Broker 1	25/06/2019	338.0	367.0	73.0	56.0	70.0	52.0
Broker 2	7/08/2019	82.5	63.8	66.9	47.7	62.4	43.1
Broker 3	30/08/2019	151.2	176.9	88.5	53.1	84.8	49.4
Broker 4	28/08/2019	n/a	n/a	71.1	61.9	66.4	57.1
Broker 5	28/08/2019	274.8	185.6	71.1	56.3	66.4	50.5
<b>Minimum</b>		<b>82.5</b>	<b>63.8</b>	<b>66.9</b>	<b>47.7</b>	<b>62.4</b>	<b>43.1</b>
<b>Maximum</b>		<b>338.0</b>	<b>367.0</b>	<b>88.5</b>	<b>61.9</b>	<b>84.8</b>	<b>57.1</b>
<b>Average</b>		<b>211.6</b>	<b>198.3</b>	<b>74.1</b>	<b>55.0</b>	<b>70.0</b>	<b>50.4</b>
<b>Median</b>		<b>213.0</b>	<b>181.3</b>	<b>71.1</b>	<b>56.0</b>	<b>66.4</b>	<b>50.5</b>
<i>Average growth</i>		<i>(43.6%)</i>	<i>(6.3%)</i>	<i>(56.2%)</i>	<i>(25.8%)</i>	<i>(58.7%)</i>	<i>(28.0%)</i>

Note 1: 'na' is not available.

**Table 52: Brokers' underlying profit before tax and underlying NPAT for Aveo**

Broker	Report date	Underlying Profit before tax (A\$ million)		Underlying NPAT (A\$ million)	
		FY19	FY20	FY19	FY20
Broker 1	25/06/2019	60.0	50.0	50.0	42.0
Broker 2	7/08/2019	49.9	27.2	50.2	24.2
Broker 3	30/08/2019	50.1	24.1	50.1	24.1
Broker 4	28/08/2019	n/a	n/a	50.1	36.1
Broker 5	28/08/2019	48.1	32.2	49.7	28.2
<b>Minimum</b>		<b>48.1</b>	<b>24.1</b>	<b>49.7</b>	<b>24.1</b>
<b>Maximum</b>		<b>60.0</b>	<b>50.0</b>	<b>50.2</b>	<b>42.0</b>
<b>Average</b>		<b>52.0</b>	<b>33.4</b>	<b>50.0</b>	<b>30.9</b>
<b>Median</b>		<b>50.0</b>	<b>29.7</b>	<b>50.1</b>	<b>28.2</b>
<i>Average growth</i>		<i>(68.0%)</i>	<i>(33.8%)</i>	<i>(60.7%)</i>	<i>(38.2%)</i>

Note 1: 'na' is not available.

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**Table 53: Brokers' sales revenue segment forecasts for Aveo**

Broker	Report date	Established Business - Sales Revenue (AS million)		Development - Sales Revenue (AS million)	
		FY19	FY20	FY19	FY20
Broker 1	25/06/2019	n/a	n/a	n/a	n/a
Broker 2	7/08/2019	152.9	184.9	231.4	104.5
Broker 3	30/08/2019	n/a	n/a	n/a	n/a
Broker 4	28/08/2019	n/a	n/a	n/a	n/a
Broker 5	28/08/2019	n/a	n/a	n/a	n/a
<b>Minimum</b>		<b>152.9</b>	<b>184.9</b>	<b>231.4</b>	<b>104.5</b>
<b>Maximum</b>		<b>152.9</b>	<b>184.9</b>	<b>231.4</b>	<b>104.5</b>
<b>Average</b>		<b>152.9</b>	<b>184.9</b>	<b>231.4</b>	<b>104.5</b>
<b>Median</b>		<b>152.9</b>	<b>184.9</b>	<b>231.4</b>	<b>104.5</b>
<i>Average growth</i>		<i>(6.9%)</i>	<i>21.0%</i>	<i>(41.3%)</i>	<i>(54.9%)</i>

Note 1: 'na' is not available.

**Table 54: Brokers' EBITDA segment forecasts for Aveo**

Broker	Report date	Established Business - EBITDA (AS million)		Development - EBITDA (AS million)		Care and Support - EBITDA (AS million)	
		FY19	FY20	FY19	FY20	FY19	FY20
Broker 1	25/06/2019	n/a	n/a	n/a	n/a	n/a	n/a
Broker 2	7/08/2019	42.3	67.9	4.8	(14.1)	0.8	1.2
Broker 3	30/08/2019	n/a	n/a	n/a	n/a	n/a	n/a
Broker 4	28/08/2019	n/a	n/a	n/a	n/a	n/a	n/a
Broker 5	28/08/2019	n/a	n/a	n/a	n/a	n/a	n/a
<b>Minimum</b>		<b>42.3</b>	<b>67.9</b>	<b>4.8</b>	<b>(14.1)</b>	<b>0.8</b>	<b>1.2</b>
<b>Maximum</b>		<b>42.3</b>	<b>67.9</b>	<b>4.8</b>	<b>(14.1)</b>	<b>0.8</b>	<b>1.2</b>
<b>Average</b>		<b>42.3</b>	<b>67.9</b>	<b>4.8</b>	<b>(14.1)</b>	<b>0.8</b>	<b>1.2</b>
<b>Median</b>		<b>42.3</b>	<b>67.9</b>	<b>4.8</b>	<b>(14.1)</b>	<b>0.8</b>	<b>1.2</b>
<i>Average growth</i>		<i>(30.8%)</i>	<i>60.5%</i>	<i>(93.9%)</i>	<i>(393.8%)</i>	<i>(52.9%)</i>	<i>50.0%</i>

Note 1: 'na' is not available.

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**Table 55: Brokers' underlying EPS and DPS forecasts for Aveo**

Broker	Report date	EPS (underlying) (A\$)		DPS (A\$)	
		FY19	FY20	FY19	FY20
Broker 1	25/06/2019	9.0	7.0	5.0	4.0
Broker 2	7/08/2019	8.6	4.2	4.5	6.0
Broker 3	30/08/2019	8.2	4.3	4.1	2.2
Broker 4	28/08/2019	8.6	4.2	9.0	2.1
Broker 5	28/08/2019	8.6	4.8	4.5	2.4
<b>Minimum</b>		<b>8.2</b>	<b>4.2</b>	<b>4.1</b>	<b>2.1</b>
<b>Maximum</b>		<b>9.0</b>	<b>7.0</b>	<b>9.0</b>	<b>6.0</b>
<b>Average</b>		<b>8.6</b>	<b>4.9</b>	<b>5.4</b>	<b>3.3</b>
<b>Median</b>		<b>8.6</b>	<b>4.3</b>	<b>4.5</b>	<b>2.4</b>
<i>Average growth</i>		<i>(60.9%)</i>	<i>(43.0%)</i>	<i>(39.8%)</i>	<i>(38.3%)</i>

Note 1: 'na' is not available.

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### Appendix 5 – Overview of valuation methodologies

#### Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable industry, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

#### Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the valuation date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and within a given industry.

The rate at which the future cash flows are discounted (the **Discount Rate**) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some industries it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

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#### **Net assets or cost based**

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

#### **Enterprise or equity value**

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

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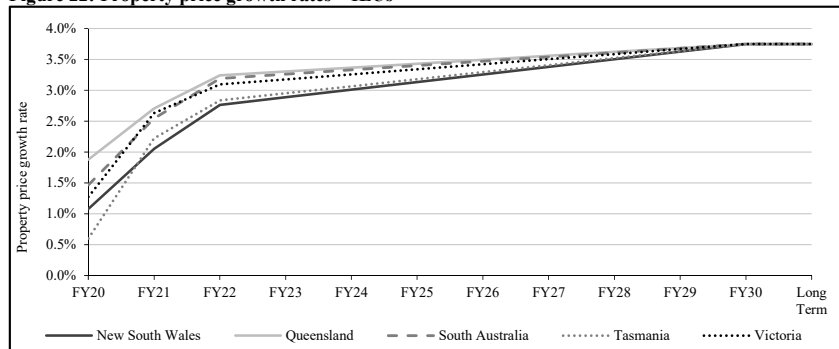
### Appendix 6 – Cash flow assumptions

The key cash flow assumptions underlying Scenario A (Base Case) of the DCF analysis for Established Business, Development and Care and Support Services are as follows:

#### General assumptions

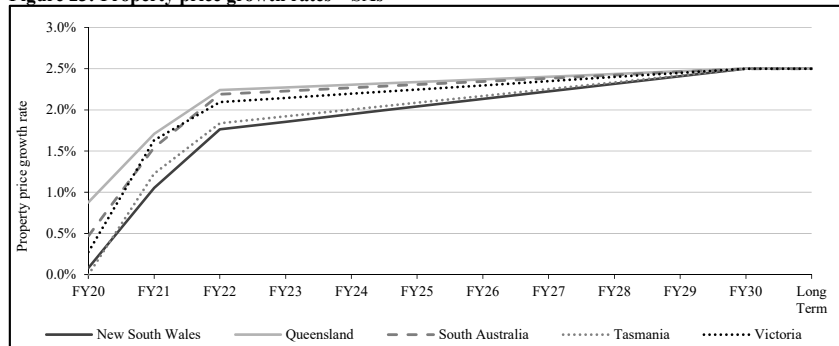
- property price growth rates by State from FY20 to FY30 are based on an analysis of growth rates utilised by comparable listed RC operators in estimating the book value of their RC assets as at 30 June 2019,<sup>162</sup> BIS Oxford Economics forecasts for FY20 to FY22 by State, growth rates for ILUs, SAs and FAC SAs utilised by Aveo management in calculating the book value of the Established Business portfolio at 30 June 2019 and our internal analysis. We have adopted Aveo management's long-term view of property price growth rates beyond FY30 (refer to Section 7.10.1 of this report). The assumed property price growth rates are indicated in the figures below:

**Figure 22: Property price growth rates – ILUs**



Source: KPMG Corporate Finance analysis, BIS Oxford Economics, Aveo management.

**Figure 23: Property price growth rates – SAs**



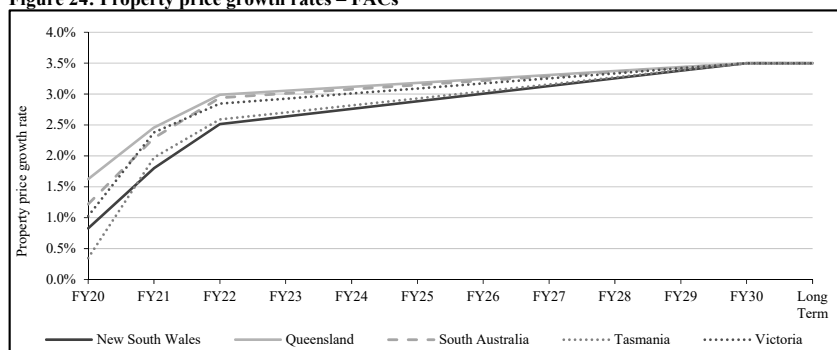
Source: KPMG Corporate Finance analysis, BIS Oxford Economics, Aveo management.

<sup>162</sup> Range of growth assumptions adopted in listed peer forecasts are as follows: LendLease: 3.5%, Stockland: 3.3%, Arvida: 0% to 3.5%, Metlifecare: 0% to 3.5%, Ryman: 0.7% to 4.0%, Summerset: 0% to 3.5%

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**Figure 24: Property price growth rates – FACs**



Source: KPMG Corporate Finance analysis, BIS Oxford Economics, Aveo management.

- expenses increase by 3.0% per annum throughout the forecast period, based on the midpoint of the RBA’s long-term inflation target of 2% to 3% plus a 0.5% margin as expenses mainly relate to salaries which historically have grown more rapidly than inflation,<sup>163</sup> and
- corporate tax rate of 0% has been applied since Aveo is not expected to pay tax in future as: i) cash flows within the trust are not taxed, ii) as a result of Aveo’s substantial carried forward tax losses as at 30 June 2019<sup>164</sup>, and iii) the deferral of development profits on RC assets.

**Established Business**

Operating cash flows have been modelled on an RC and unit basis using an average of 100 Monte-Carlo<sup>165</sup> simulations, taking into account the following:

**DMF/CG generating transactions and buyback sales**

- market values of units as at 30 June 2019 are based on Aveo management’s detailed pricing review. Market values were estimated for all units based on sales evidence at each RC, the level of refurbishment, occupancy and affordability and finally, cross-checked by Territory Sales Managers using a bottom-up review process
- transaction values are derived based on 30 June 2019 market values grown at the relevant property price growth rates

<sup>163</sup> As per the Australian Bureau of Statistics, growth in the Wage Price Index for Australia has grown by an average of 3.2% per annum over the last 20 years (across all categories). This compares to CPI for Australia, which per the Australian Bureau of Statistics, has grown by an average of 2.7% per annum over the last 20 years (across all categories).

<sup>164</sup> As at 30 June 2019, Aveo had \$1,216.3 million of recognised losses and \$265.9 million of unrecognised losses

<sup>165</sup> Monte Carlo approach is a simulation technique used to model the probability of different outcomes in a process that cannot easily be predicted due to the intervention of random variables. It is used in this instance to model the DMF cash flows based on various resident and RC input metrics.

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- resident tenure is based on Aveo's historical experience of resident tenure and applied in the cash flows utilising a Weibull probability distribution<sup>166</sup> centred around a mean tenure of 4 years for SAs, 10 years for ILUs and 8 years for residents on Aveo Certainty contracts (which enable residents to transfer to another Aveo unit without incurring a second DMF) that apply to ILUs in certain regions in South East Queensland and Melbourne where there are nearby SAs or FAC SAs
- operating buyback stock is \$159.8 million (being 487 units) at 30 June 2019 (4.0% of total units)<sup>167</sup> and increases to 5% of total units at 30 June 2020 and 2021 (as the residential property market remains subdued), declining to 2% of total units by 30 June 2026 as the residential property market recovers, then remaining flat at 2% for the remainder of the forecast period. The average 30 June 2019 unit value is assumed to grow consistent with the property price growth rate assumptions outlined earlier
- portfolio sales rate (number of unit sales as a proportion of total portfolio) increases from 6.9% in FY19 to 7.6% in FY20 and FY21, before increasing gradually from 10.1% in FY22 to 12.3% in FY30. This compares to the targeted range of 10% to 12%
- settlement period of six months for ILUS and FAC SAs and nine months for other SAs based on Aveo's historical experience
- DMF/CG income is based on contractual terms for existing residents as at 30 June 2019 and forecast adoption of Aveo Way/Freedom Way contracts for all incoming residents. The percentage of residents on the Aveo Way suite of contracts increases from 28% in FY19 to 85.7% in FY30<sup>168</sup>
- DMF/CG margins increase from 27.6% in FY19 to 32.8% in FY20 (above Aveo's minimum long-term DMF/CG target margin of 30%) then increase gradually to 38.3% in FY30 as a result of increased adoption of the Aveo Way contracts over the forecast period which have a higher DMF accrual than the legacy contracts (see Section 7.5 of this report).

### Expenditure

- resales and reinstatement costs are estimated to be 1.7% of the transaction value of each resale plus \$2,900 of minor maintenance works as at FY20. Minor maintenance costs grow by 3% after FY20, which is consistent with Aveo management's historical experience
- all divisional overhead expenses in the FY20 Budget (including general overheads, marketing salaries and wages, Freedom Care Plan and General Service Charge deficits, subsidies and food services shortfalls, other indirect costs and administration fee income) have been included.<sup>169</sup> From FY21, these expenses increase by 3%
- annual capital expenditures of \$39.3 million in FY20 increasing to \$80.6 million in FY30. Annual capital expenditures include general refurbishment expenditures, maintenance capital expenditures related to Aveo Way/Freedom Way unit conversion, and major capital expenditures related to

<sup>166</sup> Weibull distribution is a continuous probability distribution reflecting, in this instance, the probability of a resident exit based on tenure

<sup>167</sup> Refer to Section 7.10.1 of the report.

<sup>168</sup> Aveo's investment property book values in Section 7.10.1 exclude future Aveo Way/Freedom Way conversion. Only RCs as at 30 June 2019 where 20% or more of residents are on Aveo Way/Freedom Way are valued as Aveo Way/Freedom Way RCs for financial reporting purposes.

<sup>169</sup> Aveo's investment property book values in Section 7.10.1 exclude these overhead/corporate costs in the calculation of fair value for financial reporting purposes.

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community centre upgrades. Capital expenditure has been estimated based on Aveo's historical experience. Refurbishment costs are based on the active contract structure for each unit and are recognised as operating expenses:

- **Aveo Way contracts:** average per unit costs of \$31,000 per unit applied to ILUs and \$16,000 per unit applied to SAs, indexed at 3%
- **non-Aveo Way contracts:** average per unit costs of \$11,780 per unit applied to ILUs and \$6,080 per unit applied to SAs, indexed at 3%, and
- Cash flows beyond FY30 grow at a CAGR of 4.4%.

#### **Development**

Includes Minor and Major Development in the current pipeline for which construction had commenced as at 30 June 2019. Total units delivered by FY29, including 2,204 units at Springfield, is forecast to be 3,198 units, which is 32% less than the long-term target of total unit deliveries of 4,717 units (refer to Section 7.6.2) and is consistent with the FY20 Budget. No value has been attributed to Aveo's development platform beyond the current pipeline.

Cash flows capture development expenditure, cash receipts on sale of the properties and future DMF/CG inflows on those units until FY29. The cash flows reflect the following:

- revenue on a settlement (cash) basis
- development profits are based on the sales prices for properties, which reflect property price growth rates
- property price growth rates in line with assumptions used for Established Business
- DMF/CG and other unit related revenue that has been estimated utilising the assumptions outlined for the Established Business portfolio commencing from when a unit is settled
- all segment expenses in the FY20 Budget (including general sales overheads and new sales overheads) have been included. From FY21, segment expenses increase by 3%
- **Major Development:**
  - 62 units are delivered in FY20, varying each year according to Aveo management's delivery schedule, with a maximum of 583 units delivered in FY23 and an average of 320 units delivered per annum between FY20 and FY29, which is below the long-term delivery target of 500 units per annum
  - construction build time varies by project and ranges from 18 to 24 months
  - settlement period varies by project and ranges from 12 to 18 months
  - weighted average margin (on delivered basis) during the development period of 17.8%, which is within the target pre-interest margin range of 16% to 20% and below recent historical experience
  - marketing costs range between 2.5% and 7.5% depending on the type of development and location of development
  - vacant unit levies of 0.7% to 2.45% for units ready for sale but not yet occupied, depending on the type of development and location of the development

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- **Minor Development:**

- 125 units are scheduled to be delivered in FY20 decreasing to nil units post FY23. Minor Developments reflect conversion of SAs and refurbishment of existing FAC units. Therefore, once these conversion are completed Minor Developments will cease in FY23
- weighted average pre-interest margin of 37.3%, which is within the target pre-interest margin range of 35% to 40% and consistent with historical experience
- stamp duty of 3% is applied to buyback purchases value where applicable, and
- various marketing, commission, completion and other expenses based on the Minor Development delivery schedule and Aveo management expectations.

**Care and Support Services:**

The main assumptions adopted to value Care and Supports Services are summarised below:

- forecasts for FY20 to FY23 are broadly in line with Aveo management's forecasts with operating revenues and costs and movements in RAD balances extrapolated post FY23 based on assumptions noted below
- post FY23, revenue per bed and associated variable costs increase by 2.5% per year.
- long-term occupancy rate assumed at 95% for RACF sites, in line with historical occupancy rates for operational RACF sites.
- the current split between residents paying RAD and DAP's is assumed to remain constant
- an allocation of corporate overheads has been included, increasing by 2.5% per annum
- opening RAD balances at 30 June 2019 amounted to approximately \$64.9 million
- RAD receipt balance increasing each year based on adopted property price growth assumptions. Property price growth for RACFs has been forecast as the weighted average of forecast property price growth rates (weighted by location and bed numbers of each RACF) for ILUs and SA's (refer property price growth figures above), as adopted in our valuation of Established Business
- terminal value adopts long-term growth rate of 2.5%, incorporating an allowance for capital expenditure
- support Services EBITDA contribution to improve from a loss in FY20 (similar to FY19 levels) to a small positive EBITDA contribution by FY23, broadly based on Aveo management forecasts, followed by increases of 2.5% per year.

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### Appendix 7 – Discount rate

Where cash flow forecasts consist of free cash flows to all providers of funding, the WACC is commonly employed as the basis for determining an appropriate discount rate. For the purposes of our DCF analyses, we have adopted the following discount rates:

- **Established Business - units leased or sold:** Aveo legacy portfolio: 11.3% to 12.1%, RVG portfolio: 12.1% to 12.9%, and FAC portfolio: 12.1% to 12.9%
- **Development – investment properties under construction:** 13.3% to 16.7%
- **Care and Support Services:** 8.5% to 9.3%

We consider these rates appropriately reflect the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with each of Aveo’s businesses.

The selection of an appropriate discount rate to apply to the forecast cash flows of any asset or business operation is fundamentally a matter of judgement rather than a precise calculated outcome. Whilst there is commonly adopted theory that provides a framework for the derivation of an appropriate discount rate, it is important to recognise that given the level of subjectivity involved, the calculated discount rate should be treated as guidance rather than objective truth. Furthermore, discount rate assessments need to consider both current market conditions and future expectations, and to the extent that there are any changes in conditions and expectations over time, an adjustment to the discount rate at a future point in time may be warranted.

In selecting appropriate discount rates to apply to the cash flows of each of the Aveo businesses, we have determined a classical nominal WACC to align with the forecast nominal ungeared cash flows being used to derive the resultant DCF values. A classical WACC<sup>170</sup> represents an estimate of the weighted average required return from both debt holders and equity investors. The WACC is derived using the following formula:

$$WACC = Wd * Kd * (1 - t) + \left( We * Ke * \frac{1 - t}{1 - t} \right)$$

**Table 56: WACC parameters**

Parameter	Description
Kd	Pre-tax Cost of debt
Wd	Percentage of debt in capital structure
Ke	Pre-tax Cost of equity
We	Percentage of equity in capital structure
t	Company tax rate

Source: *KPMG Corporate Finance analysis.*

#### Cost of equity

The cost of equity can be derived using a modified Capital Asset Pricing Model as follows:

$$Ke = Rf + \beta * (Rm - Rf) + \alpha$$

<sup>170</sup> Given Aveo is not expected to pay any tax in the medium-term due to tax losses and tax deferral of developments, we have not factored any value for franking credits into the determination of the discount rate by assuming a nil value for gamma. As such, a classical WACC, which ignores the use of franking credits, has been used.

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**Table 57: Cost of equity parameters**

Parameter	Description
Rf	Risk free rate, representing the return on risk-free assets
Rm	Market rate of return, representing the expected average return on a market portfolio
(Rm - Rf)	Market risk premium, representing the excess return that a market portfolio is expected to generate over the risk free rate
$\beta$	Beta factor, being a measure of the systematic risk of a particular asset relative to the risk of a market portfolio
$\alpha$	Specific risk factor, which may be included to compensate for risks which are not adequately captured in either the other discount rate parameters or the cash flows being discounted

Source: KPMG Corporate Finance analysis.

### WACC – Aveo

KPMG Corporate Finance's rationale for the selection of each of the variables in developing a WACC for each Aveo business is discussed below.

#### Risk free rate

The risk free rate of return is the return on a risk free security, typically for a long-term period. In practice, long dated Government bonds are accepted as a benchmark for a risk free security. In Australia, the 10 year Commonwealth Government bond yield is commonly referenced, of which the spot yield was 1.2% as at 31 July 2019.

However, since the global financial crisis in 2008, Government bond yields have remained low compared to long-term averages. Combined with market evidence which indicates that bond yields and the market risk premium are strongly inversely correlated, it is important that any assessment of the risk free rate should be made with respect to the position adopted in deriving the market risk premium. As we adopt a long-term view on the market risk premium (rather than spot), it is also important to do the same with the risk free rate to ensure the combination of the risk free rate and market risk premium represents an appropriate return in the current investment environment.

Consequently, the risk free rate has been selected by reference to both the current spot yield and long-term forecast yields on 10 year Australian Government bonds. We have adopted 3.2% as an appropriate risk free rate, which represents a blend of the spot rate at the valuation date and a forecast long-term bond yield of 3.4% (based on an average of long-term bond yields sourced from various economic forecast providers including Oxford Economics, BIS Shrapnel, Deloitte Access Economics and KPMG Economics).

#### Market Risk Premium

The Market Risk Premium represents the additional return that investors expect in return for holding risk in the form of a well-diversified portfolio of risky assets (such as a market index) over risk-free assets such as Government bonds. Given that expectations are not observable, a historical premium is generally used as a proxy for the expected risk premium.

Measurement of historical premia in Australia is subject to considerable debate, including in relation to the method of calculation, the relevance of long dated data and the relevant period of observation, as well as the impact of the introduction of imputation credits and the value attributed to imputation credits.

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The most recent Australian study of historical premia was completed in by J.C. Handley in 2012<sup>171</sup> (**the 2012 Handley Study**), as prepared for the Australian Energy Regulator, and was based on earlier works by R.R. Officer in 1989 and T. Brailsford, J.C. Handley and K. Maheswaran in 2008 and 2012. The 2012 Handley Study found that:

- relative to 10 year bonds, the equity risk premium has averaged 6.0% p.a. over 1883–2011 ignoring the impact of imputation credits (this increases to 6.3% p.a. if imputation credits are valued at 100%)
- relative to 10 year bonds, the equity risk premium has averaged 5.8% p.a. over 1958–2010 ignoring the impact of imputation credits (this increases to 6.6% p.a. if imputation credits are valued at 100%).

Consistent with our approach to the risk free rate, we applied a long-term view in setting the market risk premium. A market risk premium of 6.0% is regarded as appropriate by KPMG Corporate Finance for the current long-term investment climate in Australia.

**Beta**

**Established Business – units leased or sold**

In selecting an appropriate unlevered beta to apply to Established Business, KPMG Corporate Finance has considered betas for selected listed RC operators.

**Table 58: Betas and gearing for selected RC operators**

Company name	Market Cap AS million <sup>1</sup>	Levered	Unlevered	Debt to value 2-year avg	Levered	Unlevered	Debt to value 5-year avg
		beta 2-year weekly	beta 2-year weekly		beta 5-year monthly	beta 5-year monthly	
<b>Aveo</b>	1,233	0.90	0.67	32%	1.15	0.92	26%
<b>Australia</b>							
Lifestyle	793	0.82	0.77	8%	0.75	0.70	9%
Eureka	67	n/a <sup>2</sup>	n/a	41%	n/a	n/a	29%
<b>New Zealand</b>							
Ryman	6,032	1.18	1.04	15%	1.29	1.16	13%
Summerset	1,328	1.04	0.87	22%	1.26	1.07	20%
M etlifecare	881	0.95	0.86	12%	1.06	0.99	9%
Arvida	724	0.56	0.48	18%	n/a	n/a	n/a

Source: S&P Capital IQ, KPMG Corporate Finance analysis.

Notes:

1. Data as at 23 September 2019.
2. n/a represents not available or not statistically significant.

In assessing an appropriate unlevered beta for Established Business, we have had regard to the following:

- unlevered betas that have a low statistical significance or for which there are insufficient data points have been excluded (i.e. Eureka)
- we consider five year betas to be more relevant than the two year betas as RC operators have been subject to structural or unique issues in recent years (e.g. changes in buyback legislation, reputation issues associated with the retirement industry since mid-2017 and concern as to the outcome of the Royal Commission into RACFs), which would reduce the correlation of their share prices with the overall market. We note that Aveo’s relatively low two year beta likely also reflects the impact of

<sup>171</sup> J.C. Handley, “An Estimate of the Historical Risk Premium for the period 1883 to 2011”, April 2012

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other factors unique to Aveo (the ACCC investigation and class action) which reduce the correlation of its security price with the overall sharemarket

- we have also considered the following characteristics and their potential impact on beta:
  - **exposure to other operating segments:** some of the listed RC operators have exposure to other operating segments such as aged care (i.e. Aveo and the New Zealand operators). We would expect companies with an exposure to aged care to have a lower beta since the aged care operators receive regular income, largely in the form of government funding)
  - **DMF Model:** a number of the companies (Aveo and each of the New Zealand companies) mainly rely on a DMF Model. To the extent that operators receive 'lumpy' rather than regular cash payments, their risk is likely higher
  - **split of CG or capital loss:** we would expect that operators that receive all CGs and capital losses but are responsible for a greater share of fixed costs (e.g. refurbishment costs) would have greater variability in cash flows than those that do not accept any capital gains risk
  - **ownership models:** there is greater flexibility for operators who lease units (i.e. Lifestyle) than for those who sell them on a freehold basis (i.e. select portfolios of Aveo), suggesting a lower beta is appropriate
  - **size of portfolio and level of diversification by geography:** RC operators with larger more diversified portfolios are less exposed to individual market movements than those that are more narrowly focused and, therefore, a lower beta is appropriate.
- Lifestyle has a five year unlevered beta of 0.70 and is the only listed 'pure play' RC operator in Australia with a statistically significant beta. The company operates a land lease model deriving only a small portion of income through DMF fees. It also generates recurring revenue through its weekly site fees and does not share in the CG or loss when units are resold, reducing the variability of its cash flows, which likely accounts for its lower beta. Its beta may also be influenced by its substantial development activities
- similar to Aveo, the New Zealand RC operators employ a DMF Model, take 100% of CGs and losses and utilise a leasehold ownership structure, however, they are generally more integrated across RCs and RACFs. In relation to these operators:
  - Arvida listed in 2014 and, therefore, does not have a five year beta. Its trading is relatively illiquid, which may account for its relatively low beta. It is diversified across RCs and aged care and has a substantial RACF portfolio (1,955 units and 1,722 aged care beds), which likely reduces its beta
  - the remaining New Zealand companies have a lower share of aged care beds and their betas are in the range of 0.99 to 1.16:
    - Ryman is the largest of the New Zealand operators and has an exposure to both Australia (6% of FY19 revenue) and New Zealand (94% of FY19 revenue). Its portfolio comprises a large share of aged care beds (5,548 units and 3,660 aged care beds). Ryman has a five year beta of 1.16, and
    - Summerset and Metlifecare are both exclusive to New Zealand and are the closest to 'pure play' RC operators. Summerset has 3,732 units and 858 aged care beds and Metlifecare has 4,478 units and 440 aged care beds. Summerset and Metlifecare have five year betas of 1.07 and 0.99, respectively.

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Taking into account the betas for comparable companies, KPMG Corporate Finance has selected an ungeared beta for Established Business in the range of 1.0 to 1.1. Additional risk characteristics associated with Established Business and each of the Established Business portfolios are considered in an alpha.

**Care and Support Services**

In selecting an appropriate unlevered beta to apply to Aveo’s Care and Support Services, KPMG Corporate Finance has considered betas for selected listed residential aged care providers.

**Table 59: Betas and gearing for aged care providers**

Company name	Market Cap AS million <sup>1</sup>	Levered	Unlevered	Debt to value 2-year avg	Levered	Unlevered	Debt to value 5-year avg
		beta 2-year weekly	beta 2-year weekly		beta 5-year monthly	beta 5-year monthly	
<i>Aged care</i>							
Regis	842	0.89	0.72	26%	n/a <sup>2</sup>	n/a	n/a
Estia	693	1.05	0.96	12%	n/a	n/a	n/a
Japara	314	0.87	0.73	22%	1.13	1.06	9%

Source: S&P Capital IQ, KPMG Corporate Finance analysis.

Notes:

1. Data as at 23 September 2019.
2. n/a represents not available or not statistically significant.

In assessing an appropriate unlevered beta for Aveo’s Care and Support Services, we have had regard to the following:

- as there are no listed directly comparable companies for Aveo’s Care and Support Services, aged care companies have been included as a reference point, and
- unlevered betas for aged care providers are generally lower than 1.00, ranging from 0.72 to 0.96 over a two year period. This is considered reasonable given operators receive regular payments which are substantially funded by the Government and demand is relatively inelastic.

Taking into account the factors detailed above, KPMG Corporate Finance has selected an ungeared asset beta range of between 0.8 and 0.9 for Aveo’s Care and Support Services.

**Gearing**

**Established Business**

In assessing an appropriate gearing ratio for Established Business, we note:

- Aveo’s market gearing (calculated as net debt / net debt plus market capitalisation) is 31% observed over a two year period, 25% observed over a five year period and is currently at 43%. In this regard:
  - Aveo is trading at a substantial discount to NTA per Aveo Security and Aveo has increased borrowings to fund excess stock
  - Aveo’s book gearing (calculated as net debt / net debt plus equity) as at 30 June 2019 of 21.3% exceeds its target book gearing ratio (calculated as net debt / total assets less cash less resident loans) of 10% to 20%
  - Aveo’s target book gearing (calculated as net debt / total assets less cash less resident loans) of 10% to 20% is approximately equivalent to book gearing (calculated as net debt / net debt plus equity) of 15% to 25%

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- generally, earnings exhibiting low levels of expected volatility are assumed to support higher levels of debt and vice versa. In this regard, we note that Established Business and the Australian retirement industry are exposed to the cyclical residential property market and furthermore, Aveo's DMF/CG model creates additional operating leverage. As such, a conservative level of debt is appropriate
- betas calculated over a five year period should be paired with gearing calculated over a five year period. However, tighter lending conditions from banks in recent years suggests that a two-year average gearing may be more relevant. Despite this, for many of the companies, the level of gearing observed over two years is higher than that observed over five years. This may reflect reduced industry revenue, driven by the downturn in the residential property market, reducing market capitalisation and increasing the need for debt, and
- the most comparable companies (Ryman, Summerset and Metlifecare) have gearing ratios of 15%, 22% and 12% (calculated over a two year period) and 13%, 20% and 9% (calculated over a five year period).

Based on the above, we have selected an optimal gearing ratio of 20% for Established Business.

#### Care and Support Services

In assessing an appropriate gearing ratio for Aveo's Care and Support Services business, we note that companies engaged in community care and aged care services (Regis, Estia and Japara) have gearing of 26%, 12%, 22% (calculated over a two year period) and Japara has gearing of 9% (calculated over a five year period). Based on the above, we have selected an optimal gearing ratio of 20% for Care and Support Services.

#### Tax rate

Aveo is not expected to pay tax in future as cash flows within the trust are not taxed and as a result of Aveo's substantial carried forward tax losses and the deferral of development profits on RC assets. As such, we have adopted a corporate tax rate of 0%.

#### Company specific risk premium

We have considered a number of factors in arriving at our assessed alpha. Ultimately, our selected alpha is a judgement taking into account each of these factors.

Firstly, we consider that the selected range of betas of 1.0 to 1.1 does not fully reflect the risk associated with Aveo's Established Business portfolio. The New Zealand operators have a similar model to Established Business in that they employ a DMF model and retain 100% of CGs and losses and their betas are generally in the range of 1.0 to 1.2. However, relative to Established Business:

- the New Zealand operators have a greater reliance on aged care, which provides them with a recurring revenue stream and likely reduces their betas. Betas for aged care operators are generally lower than for RC operators (refer to Table 59 of this report). We expect that the risk associated with a 'pure play' RC operator to be greater
- Ryman is substantially larger (over \$6 billion market capitalisation) and more geographically diversified (with operations in Australia and New Zealand), which likely reduces its beta. The beta for a smaller RC operator focused in a single country is expected to be higher, and
- other than Ryman, we understand that the New Zealand operators have less onerous guaranteed buyback provisions. We expect that guaranteed buyback provisions increase risk for the RC operator as the need to buy back units likely increases when the residential market turns down.

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As a result, we would expect the beta for Established Business to be higher than those of the New Zealand operators.

Secondly, we have considered the discount rates disclosed by other RC operators as set out in Table 61 of this report and our own experience in the retirement industry, noting that the discount rates disclosed by other RC operators are applied to the valuation of assets and not businesses.

Thirdly, we have considered the value impact of changes in alpha.

Taking into account the above considerations, the following company specific risk premiums have been applied to Aveo's Established Business portfolios:

- **Aveo's legacy portfolio:** 2%
- **RVG portfolio:** 3%, taking into account that units are 68% freehold (although are transitioning to leasehold over time) which reduces management's flexibility (e.g. ability to refurbish units), and
- **FAC portfolio:** 3%, although the portfolio is primarily leasehold (97%), there is additional risk as the portfolio is relatively new.

The selected alphas are in addition to the risks captured in the cash flows for Established Business and the various scenarios.

#### **Pre-tax cost of debt**

We have adopted a long-term, pre-tax cost of debt in the range of 5.8% to 6.3%. The following has been taken into consideration in selecting a long-term cost of debt for Aveo's operating businesses:

- Aveo's current debt facility margin of 1.75% to 2.00% margin, over the 10 year BBSW (1.448%<sup>172</sup>), implies a cost of debt of 3.00% to 3.25%. However, if Aveo was to refinance today, we expect that the cost of debt would be higher due to the limited current headroom in their debt covenants, and
- based on the interest coverage ratio of 1.5 times, we have used Damodaran's synthetic rating framework<sup>173</sup> to determine a credit spread of 3.4% over the BBB pre-tax cost of debt (4.1% to 4.6% as at 30 July 2019, as determined by KPMG Corporate Finance). This implied a cost of debt of 7.5% to 8.0%.

Taking into consideration these factors, we have estimated a debt margin range of 3.0% to 3.5%. This margin has been added to our five year blended risk free rate (2.8%) to arrive at a cost of debt of 5.8% to 6.3%. We derive the low end of the cost of debt range by making a tenor adjustment (0.4% deduction) to our blended long-term risk free rate (3.2%) to account for the yield differential between five and 10 year government bonds.

<sup>172</sup>Bloomberg, 28 July 2019

<sup>173</sup> Damodaran, Ratings, Interest Coverage Ratios and Default Spread, January 2019

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## WACC conclusion – Established Business – units leased or sold

The selected parameters result in the following calculated WACCs for each of Aveo's Established Business portfolios.

**Table 60: Selected WACC parameters for Established Business portfolios**

Parameter	Aveo's legacy portfolio		RVG portfolio		FAC portfolio	
	Low	High	Low	High	Low	High
<b>Cost of Equity</b>						
Risk free rate	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Equity market risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Unlevered beta	1.00	1.10	1.00	1.10	1.00	1.10
Tax rate	0%	0%	0%	0%	0%	0%
Gearing (debt/equity)	25%	25%	25%	25%	25%	25%
Gearred beta	1.25	1.38	1.25	1.38	1.25	1.38
Company specific risk premium (alpha)	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%
<b>Cost of equity (post-tax)</b>	<b>12.7%</b>	<b>13.5%</b>	<b>13.7%</b>	<b>14.5%</b>	<b>13.7%</b>	<b>14.5%</b>
<b>Cost of Debt</b>						
Base rate	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Corporate Debt Margin	3.0%	3.5%	3.0%	3.5%	3.0%	3.5%
All in rate (pre-tax)	5.8%	6.3%	5.8%	6.3%	5.8%	6.3%
Tax rate	0%	0%	0%	0%	0%	0%
<b>Cost of debt (post-tax)</b>	<b>5.8%</b>	<b>6.3%</b>	<b>5.8%</b>	<b>6.3%</b>	<b>5.8%</b>	<b>6.3%</b>
<b>Capital Structure</b>						
Estimated market value of equity as % of value	80%	80%	80%	80%	80%	80%
Estimated market value of debt as % of value	20%	20%	20%	20%	20%	20%
<b>Post-tax WACC</b>	<b>11.3%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.9%</b>	<b>12.1%</b>	<b>12.9%</b>
<b>Calculated range</b>						
<b>Midpoint</b>	<b>11.7%</b>	<b>12.1%</b>	<b>12.5%</b>	<b>12.9%</b>	<b>12.5%</b>	<b>12.9%</b>

Source: S&P Capital IQ, KPMG Corporate Finance analysis.

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We have compared our calculated WACCs to the discount rate applied by RC operators in estimating the fair value of their portfolios to be reflected in their financial position. LendLease and Stockland are not considered comparable companies due to their size and diversification across other property sectors, however, they disclose discount rates used in valuing their RC portfolios for financial reporting purposes and consequently, these discount rates have been included in the table below. We understand all discount rates are also calculated on a pre-tax or nil tax basis.

We note the discount rates calculated for Aveo’s RC portfolios are slightly below or at the low end of the range of discount rates applied by other RC operators. This is reasonable since those discount rates are generally applied to cash flows prior to allocating all segment expenses (to varying degrees), whereas KPMG Corporate Finance has applied the calculated WACCs to cash flows including all segment expenses. In addition we are valuing Established Business as a portfolio, while we understand the majority of the companies listed below value each RC separately.

**Table 61: Comparable company discount rates**

Company name	Reporting date	Discount rate range
<b>Aveo</b>	<b>30/06/2019</b>	<b>12.50% - 15.5%</b>
<i>Australia</i>		
Lend Lease	30/06/2019	12.3%
Stockland	30/06/2019	12.5% - 14.75%
Lifestyle	30/06/2019	13.0% -13.25%
Eureka	30/06/2019	15.0%
<i>New Zealand</i>		
Ryman	31/03/2019	12.5% - 14.1%
Summerset	30/06/2019	13.50% - 16.0%
Metlifecare	30/06/2019	12.50% - 16.50%
Arvida	31/03/2019	12.30% - 16.50%

Source: KPMG Corporate Finance analysis, Company Annual Reports

**WACC conclusion – Development**

For Development, we have applied an additional risk premium to the WACC calculated for Established Business (Aveo legacy RCs and FAC portfolio) to reflect the additional risks that those assets are exposed to including construction delays, development approval risks, higher than anticipated costs, ability to raise adequate funding and uncertainty in settlements driven by changing market conditions. The degree of premium varies depending on:

- type of development i.e. brownfield developments at existing sites, redevelopments at existing sites or greenfield developments at new sites
- stage of construction completion, and
- level of pre-sales achieved.

In consideration of the above we have determined the following premiums for Development.

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**Table 62: Selected WACC parameters for Development**

Development type	Premium	Low	WACC	
			High	Midpoint
<b>Aveo's legacy villages</b>		11.3%	12.1%	<b>11.7%</b>
Brownfield	2.0%	13.3%	14.1%	<b>13.7%</b>
Redevelopment	3.0%	14.3%	15.1%	<b>14.7%</b>
Greenfield (partly developed)	4.0%	15.3%	16.1%	<b>15.7%</b>
Greenfield	5.0%	16.3%	17.1%	<b>16.7%</b>
<b>FAC portfolio</b>		12.1%	12.9%	<b>12.5%</b>
FAC redevelopment	3.0%	15.1%	15.9%	<b>15.5%</b>

Source: KPMG Corporate Finance analysis.

In relation to the discount rates, we note that:

- we have selected a lower premium for brownfield developments as there is a track record for construction costs and settled sales. For this same reason, greenfield assets that are partly delivered (beyond stage 4 of 9, as per Aveo management stage classification) warrant a lower risk premium than those that have yet to commence construction
- redevelopments bear greater risk than brownfield developments as Aveo must buyback units over a period and, compared to brownfield developments, redevelopment projects could be smaller in scale, thus leading to inefficiencies in the construction process as Aveo may have to actively manage the project to limit disruption for existing residents
- Freedom aged care redevelopments bear additional risk associated with the conversion and take up of the FAC SA model
- greenfield assets are exposed to the most risk as they typically take longer, are more complicated and involve higher outlays for infrastructure costs than other types of development, and
- we have taken into consideration that a portion of the developments have been completed and units are available for first occupancy.

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**WACC conclusion – Care and Support Services**

The selected parameters result in the following calculated WACCs for each of Aveo’s Care and Support Services.

**Table 63: Selected WACC parameters for Care and Support Services**

	Parameter	Care and Support Services	
		Low	High
<b>Cost of Equity</b>			
Risk free rate	Rf	3.2%	3.2%
Equity market risk premium	EMRP	6.0%	6.0%
Ungeared beta		0.80	0.90
Tax rate		0%	0%
Gearing (debt/equity)		25%	25%
Gearing beta	$\beta$	1.00	1.13
Company specific risk premium (alpha)	$\alpha$	0.0%	0.0%
<b>Cost of equity (post-tax)</b>	<b>Ke</b>	<b>9.2%</b>	<b>10.0%</b>
<b>Cost of Debt</b>			
Base rate		2.8%	2.8%
Corporate Debt Margin	DM	3.0%	3.5%
All in rate (pre-tax)		5.8%	6.3%
Tax rate	T	0%	0%
<b>Cost of debt (post-tax)</b>	<b>Kd</b>	<b>5.8%</b>	<b>6.3%</b>
<b>Capital Structure</b>			
Estimated market value of equity as % of value	We	80%	80%
Estimated market value of debt as % of value	Wd	20%	20%
<b>Post-tax WACC</b>			
<b>Calculated range</b>		<b>8.5%</b>	<b>9.3%</b>
<b>Midpoint</b>		<b>8.9%</b>	

Source: S&P Capital IQ, KPMG Corporate Finance analysis.

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### Appendix 8 – Market evidence

#### Sharemarket evidence

The following table sets out the implied EBITDA and EBIT multiples, price to NTA multiples and multiples of units for selected listed RC operators in Australia and New Zealand.

**Table 64: Sharemarket evidence – RC operators**

	Market Capitalisation (\$ million) <sup>1</sup>	EBITDA multiple <sup>2</sup>			EBIT multiple <sup>3</sup>			P/NTA <sup>4</sup>	EV / Total units <sup>5</sup>
		Historical	FY+1	FY+2	Historical	FY+1	FY+2		
<b>Aveo<sup>6</sup></b>	<b>992</b>	<b>24.6</b>	<b>31.3</b>	<b>20.8</b>	<b>26.3</b>	<b>34.7</b>	<b>22.1</b>	<b>0.4</b>	<b>140</b>
<b>Australia</b>									
Lifestyle	792	35.0	n/a <sup>7</sup>	n/a	36.0	n/a	n/a	3.1	388
Eureka	67	13.1	13.0	12.7	17.2	13.3	13.0	n/a	51
<b>New Zealand</b>									
Ryman	6,050	29.1	25.3	22.2	31.8	27.5	24.0	3.1	746
Summerset	1,326	16.6	13.4	11.8	n/a	14.2	12.5	1.4	410
Metlifecare	883	11.7	11.7	10.6	12.3	12.5	11.2	0.6	247
Arvida	721	18.9	16.3	14.4	21.1	18.1	16.0	1.2	255

Source: S&P Capital IQ, Merger Market, Company Announcements, Company financial statements, KPMG Corporate Finance analysis

1. Market capitalisation calculated using share price as at 23 September 2019 in Australian dollars
2. Represents the implied enterprise value (excluding earn outs payable) divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items. Includes realised gains/(losses) on resale units and any realised development profits/(losses), however, excludes fair value gains/(losses) on investment properties.
3. Represents the implied enterprise value divided by EBIT, where EBIT is EBITDA less depreciation and amortisation.
4. NTA as at last reported date.
5. Total units includes both retirement units and care units (if applicable).
6. Aveo's undisturbed Security price of \$1.715 from 12 February 2019 has been used to calculate market capitalisation and enterprise value.
7. n/a represents not available.

The multiples are based on share market prices as at 23 September 2019 and do not typically include a control premium. A brief description of each company is outlined below.

#### RC operators – Australia

##### Lifestyle Communities Limited

Lifestyle is an owner and developer of residential land lease communities in Victoria. It operates in a single segment, Property Development and Management. In FY19, home settlement revenue accounted for 81% of total revenue compared to other revenues, which was mostly made up of site rental fees (14%) and DMF fees (3%). It has 18 residential land lease communities in planning, development or under management, primarily on the outskirts of Melbourne and Geelong. As at 30 June 2019, Lifestyle's portfolio included 2,284 ILUs sold and occupied and another 1,279 (36% of total portfolio) awaiting settlement (of which most are still under development or awaiting commencement).

##### Eureka Group Holdings Limited

Eureka operates through two segments: Rental income (61% of FY19 revenue) which owns RCs; catering income (16% of FY19 revenue), service and caretaking fees (12% of FY19 revenue) and revenue from asset sales (10% of FY19 revenue). Its units are mainly have a relatively low price point with most RCs

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located in regional areas. As at 30 June 2019, it operated 30 owned RCs and nine managed RCs representing 2,119 units across Queensland, New South Wales, Victoria, Tasmania and South Australia.

#### **RC operators – New Zealand**

##### *Ryman Healthcare Limited*

Ryman develops, owns, and operates integrated RCs and RACFs in New Zealand and Australia. The company operates in one segment across New Zealand (94% of FY19 revenue) and Australia (6% in FY19 revenue). Its RCs offer a range of retirement living and care options, such as ILUs and SAs, as well as a care centre, which provides rest homes, hospitals, and dementia level care. Its operating portfolio included 5,548 units and 3,660 aged care beds. Its development pipeline is significant (40% of total combined portfolio) and includes a further 4,950 units and 2,062 care beds.

##### *Summerset Group Holdings Limited*

Summerset builds, owns, and operates integrated RCs in New Zealand. Whilst the company operates in a single segment, it discloses care fees and RC services as the highest contributor to revenue (40% of CY18 revenue), followed by DMFs (20% of CY18 revenue). Other revenue contributors included realised gain on resales (13%) and realised development margin (28%). As at 30 June 2019, the group had a portfolio of 23 RCs completed or development across New Zealand, consisting of 3,732 units and 858 aged care beds. Its development pipeline (54% of total portfolio) includes 4,883 units and 712 aged care beds. It is 5% owned by New Zealand Central Securities Depository Limited.

##### *Metlifecare Limited*

Metlifecare develops, owns, and operates RCs primarily in North Island of New Zealand. The company operates in a single segment, Healthcare Facilities and Service, which offers living and care services through ILUS and SAs, rest homes and hospitals. As at 30 June 2019, Metlifecare owned and operated 24 RCs which comprised 4,478 ILUs and 440 aged care beds and suites. Its development pipeline (21% of total portfolio) includes 1,104 units and 223 aged care beds.

##### *Arvida Group Limited*

Arvida owns, develops, and operates RCs and RACFs in New Zealand. As at 31 March 2019, it operated 29 RCs with 1,955 (53%) units and 1,722 (47%) aged care beds. The development pipeline includes the addition of over 1,136 units and 69 aged care beds.

#### **Transaction evidence**

The following tables set out a summary of transactions involving RC operators

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**Table 65: Transaction evidence – RC operators**

Date	Target	Acquired %	Implied Enterprise Value (\$ millions) <sup>1</sup>	EBITDA Multiple <sup>2</sup>		EBIT Multiple <sup>3</sup>		P/NTA LTM
				Historical	Forecast	Historical	Forecast	
<b>Retirement operators</b>								
Jun-18	Gateway	82.5%	931	19.1	18.0	19.3	18.2	1.4
Aug-16	RVG	27.0%	370	nmf <sup>4</sup>	n/a <sup>5</sup>	nmf	n/a	0.9
Apr-16	RVG	31.0%	326	nmf	n/a	nmf	n/a	0.8
Dec-14	Retire Australia	100.0%	618	n/a	n/a	18.0	16.5	0.9
Jul-10	Aevum	84.3%	409	12.7	n/a	13.2	n/a	0.9

Source: Company financial statements, company announcements, press releases, broker reports, S&P Capital IQ, Mergermarket, KPMG Corporate Finance analysis

**Notes:**

1. Implied enterprise value represents consideration plus net borrowings assumed and displayed in millions as per the local currency relevant to the transaction.
2. Represents the implied enterprise value (excluding earn outs payable) divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items. Includes realised gains/(losses) on resale units and any realised development profits/(losses), however, excludes fair value gains/(losses) on investment properties.
3. Represents the implied enterprise value divided by EBIT, where EBIT is EBITDA (as described in point 2) less depreciation and amortisation.
4. Nmf represents not meaningful.
5. n/a represents not available.

**Description of comparable transactions – RC operators**

A brief description of the selected comparable transactions involving RC operators is provided below.

*Acquisition of Gateway Lifestyle group by Hometown America Corporation*

On 2 July 2018, Hometown announced its intention to make a conditional, off-market takeover offer for all the stapled securities in Gateway for consideration of \$683 million. The Hometown offer followed a number of earlier indicative non-binding proposals made by Hometown and by Brookfield Property Group. Gateway engaged in the development and operations of manufactured homes in Australia. Gateway operates via a land lease model with a focus on ILUs in a mix of metropolitan and regional areas. As of 30 June 2018, it had 58 residential land lease communities primarily in New South Wales, Queensland, Victoria, South Australia, and the Australian Capital Territory. No material synergies were anticipated as part of the transaction.

*Acquisition of remaining 27% interest in Retirement Villages Group*

On 18 April 2017, Aveo acquired the remained 27% minority holding in RVG for a consideration of approximately \$100 million. RVG operates via a freehold model and DMF model. Its portfolio consisted of over 3,400 units in 28 RCs which were predominantly located in the metropolitan areas of Sydney and Melbourne. The portfolio comprised mainly mature RCs in well-established suburbs and a small development pipeline of 77 units.

*Acquisition of 31% interest in Retirement Villages Group*

On 18 April 2016, Aveo increased their holding in RVG from 38.7% to 73% for a cash consideration of \$55.8 million. The 31% interest in RVG was progressively acquired in March and April 2016 for a total

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consideration of \$101 million at a cost of 22 cents per security, which represented a 21% discount to RVG's security value.

*Acquisition of Retire Australia by New Zealand Superannuation Fund*

On 24 December 2014, Infratil and New Zealand Super Fund announced the acquisition of Retire Australia for \$616.7 million. Retire Australia operates via a DMF loan lease model. At the time of the transaction, Retire Australia was the fourth largest RC operator in Australia, consisting of 3,700 ILUs and SAs across New South Wales, Queensland and South Australia. No material synergies were anticipated as part of the transaction.

*Acquisition of remaining 84.3% interest in Aevum Limited*

On 30 July 2010, Stockland Development Pty Limited made an offer to acquire the remaining 84.3% interest in Aevum for approximately \$266 million. Aevum's RC business operated via a DMF business model and comprised 2,803 ILUs and 343 SAs. The RC portfolio was focused on Australia's east coast (86% of the portfolio's assets) as well as Western Australia and South Australia. The company's aged care business comprised 367 beds. Aevum's development pipeline included 632 ILUs and 287 aged care beds.

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### PART TWO – FINANCIAL SERVICES GUIDE

Dated 27 September 2019

#### What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) and Bill Allen as an authorised representative of KPMG Corporate Finance, authorised representative number 405336 and Ian Jedlin as an authorised representative of KPMG Corporate Finance, authorised representative number 404177 (Authorised Representative).

#### This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance. This FSG forms part of an Independent Expert Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

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- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

#### KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by Aveo Group (Client) to provide general financial product advice in the form of a Report to be included in the Scheme Booklet (Document) prepared by the Client in relation to the schemes of arrangement involving Brookfield Group (Transaction).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

#### General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

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From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided a range of services to the Client for which professional fees are received. Over the past two years professional fees of nil have been received from the Client. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

#### Complaints resolution

##### Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

*Aveo Group  
Independent Expert Report and Financial Services Guide  
27 September 2019*

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

##### External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly at:

Address: Financial Ombudsman Service Limited,  
GPO Box 3, Melbourne Victoria 3001  
Telephone: 1300 78 08 08  
Facsimile: (03) 9613 6399 Email:  
[info@fos.org.au](mailto:info@fos.org.au)

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

#### Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

#### Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:  
KPMG Corporate Finance  
A division of KPMG Financial Advisory Services  
(Australia) Pty Ltd  
300 Barangaroo Avenue  
Sydney NSW 2000

PO Box H67  
Australia Square  
NSW 1213  
Telephone: (02) 9335 7000  
Facsimile: (02) 9335 7200

Bill Allen/Ian Jedlin  
C/O KPMG  
PO Box H67  
Australia Square  
NSW 1213  
Telephone: (02) 9335 7000  
Facsimile: (02) 9335 7200

# ANNEXURE B AGL SCHEME



HERBERT  
SMITH  
FREEHILLS

## Scheme of arrangement - AGL

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Aveo Group Limited

Scheme Shareholders

ANZ Tower 161 Castlereagh Street Sydney NSW 2000 Australia  
GPO Box 4227 Sydney NSW 2001 Australia

T +61 2 9225 5000 F +61 2 9322 4000  
herbertsmithfreehills.com DX 361 Sydney



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SMITH  
FREEHILLS

## Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

AGL                      **Aveo Group Limited**  
ABN 28 010 729 950 of Level 5  
99 Macquarie Street  
SYDNEY NSW 2000  
(AGL)

and                      The Scheme Shareholders

### 1 Definitions, interpretation and scheme components

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#### 1.1 Definitions

Schedule 1 contains definitions used in this Scheme. Each term that is undefined in this Scheme is as defined in the Implementation Deed.

#### 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

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- (a) AGL is a public company limited by shares, registered in Queensland, Australia, and has been admitted to the official list of the ASX.
- (b) As at the date of the Implementation Deed, 580,737,672 Stapled Securities were on issue. Each Stapled Security comprises one AGL Share stapled to one fully paid ordinary unit in Aveo Group Trust, and they trade together as a stapled security on ASX.
- (c) Aveo Group Trust is a registered managed investment scheme. Aveo Funds RE is the responsible entity of the Aveo Group Trust.

# ANNEXURE B

## AGL SCHEME CONT



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3 Conditions

- (d) BidCo is an unlisted proprietary company limited by shares registered in Victoria, Australia.
- (e) TopCo is an unlisted proprietary company limited by shares registered in Victoria, Australia.
- (f) AOG L.P. is a Bermuda limited partnership of which the General Partner is the general partner.
- (g) If this Scheme becomes Effective:
  - (1) BidCo, TopCo and AOG L.P. must provide or procure the provision of the Scheme Consideration to the Scheme Securityholders in accordance with their respective obligations under the terms of this Scheme and the Deed Poll;
  - (2) all the Scheme Securities, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to BidCo and
  - (3) AGL will enter the name of BidCo in the Aveo Securities Register in respect of the Scheme Securities.
- (h) Aveo, BidCo, TopCo and AOG L.P. have agreed, by executing the Implementation Deed, to implement this Scheme and the Trust Scheme.
- (i) This Scheme attributes certain actions to BidCo, TopCo and AOG L.P. but does not itself impose an obligation on them to perform those actions. BidCo, TopCo and AOG L.P. have agreed, by executing the Deed Poll, to perform the actions attributed to them under this Scheme and the Trust Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Securityholders.

### 3 Conditions

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#### 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 4 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 BidCo and AGL;
- (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 BidCo and AGL having been satisfied or waived; and
- (e) both:

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- (1) 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 AGL and BidCo agree in writing); and
- (2) the Aveo Group Trust Supplemental Deed Poll (Trust Scheme) taking effect pursuant to section 601GC(2) of the Corporations Act.

### 3.2 Certificate

- (a) AGL and BidCo will each 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.
- (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 AGL and BidCo otherwise agree in writing.

## 4 Implementation of this Scheme

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### 4.1 Lodgement of Court orders with ASIC

AGL must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act an office copy of the Court order approving this Scheme (the **Court Orders**), 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 5.00pm on the Business Day on which the Court Orders are entered, whichever is the later.

### 4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 5.3(b), 5.3(c) and 5.4(a)(1) and BidCo having provided Aveo with written confirmation of the provision of the Scheme Consideration, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to BidCo, without the need for any further act by any Scheme Shareholder (other than acts performed by AGL as attorney and agent for Scheme Shareholders under clause 8.5), by:
  - (1) AGL delivering to BidCo a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by AGL; and

# ANNEXURE B

## AGL SCHEME CONT



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5 Scheme Consideration

- (2) BidCo duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to AGL 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), AGL must enter, or procure the entry of, the name of BidCo in the Aveo Securities Register in respect of all the Scheme Shares transferred to BidCo in accordance with this Scheme, at the same time as Aveo Funds RE enters, or procures the entry of, the name of BidCo in the Aveo Securities Register in respect of all the Trust Scheme Units transferred to BidCo in accordance with the Trust Scheme.

## 5 Scheme Consideration

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### 5.1 Provision of Scheme Consideration

- (a) The Scheme Consideration in respect of each Scheme Share is either:
  - (1) the Cash Consideration; or
  - (2) the Scrip Consideration.
- (b) Each Scheme Securityholder is entitled to receive either Cash Consideration or Scrip Consideration in respect of each Scheme Security held by that Scheme Securityholder, subject to the terms of this Scheme and the Trust Scheme.

### 5.2 Election

- (a) A Scheme Securityholder, other than an Ineligible Foreign Shareholder, may make an election (**Election**) to receive either Cash Consideration or Scrip Consideration for all of their Scheme Securities by validly completing the Election Form, such Election being subject to the terms of this Scheme including without limitation clauses 5.2(d), 5.2(m), 5.4(c), 5.7 and 5.9 valid Elections will take effect in accordance with this Scheme.
- (b) TopCo must not issue any TopCo Class B Securities, and AOG L.P. must not issue any AOG L.P. Units under this Scheme in respect of any Ineligible Foreign Shareholder. Accordingly, no Ineligible Foreign Shareholder may make a valid Election to receive the Scrip Consideration, and none of TopCo, BidCo or AOG L.P. is under any obligation to procure the issue of Scrip Consideration to any Ineligible Foreign Shareholder.
- (c) Subject to clause 5.2(h), for an Election to be valid:
  - (1) the Scheme Securityholder must complete and sign the Election Form in accordance with the instructions in the Scheme Booklet and the terms and conditions on the Election Form; and
  - (2) the Election Form must be received by the Aveo Registry before the Election Time at the address specified in the Scheme Booklet and on the Election Form.
- (d) A Scheme Securityholder that makes an Election may vary, withdraw or revoke that Election by lodging a replacement Election Form (such form to be requested from the Aveo Registry), provided such replacement Election Form is received by the Aveo Registry by the Election Time.

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- (e) If:
- (1) a valid Election is not made by a Scheme Securityholder;
  - (2) the Scheme Securityholder is an Ineligible Foreign Shareholder; or
  - (3) no Election is made by a Scheme Securityholder,
- then that Scheme Securityholder will be deemed to have elected to receive Cash Consideration in respect of all of their Scheme Securities.
- (f) Subject to clause 5.2(h), if a Scheme Securityholder makes a valid Election to receive Scrip Consideration in respect of only some of its Scheme Securities, and makes no Election or an invalid Election in respect of the remainder of its Scheme Securities, the Scheme Securityholder will be deemed to have elected to receive Scrip Consideration in respect of all of its Scheme Securities and not only those Scheme Securities for which the Scheme Securityholder made a valid Election to receive Scrip Consideration.
- (g) Subject to clause 5.2(h), if a Scheme Securityholder makes a valid Election to receive Cash Consideration in respect of only some of its Scheme Securities, and makes no Election or an invalid Election in respect of the remainder of its Scheme Securities, the Scheme Securityholder will be deemed to have elected to receive Cash Consideration in respect of all of its Scheme Securities and not only those Scheme Securities for which the Scheme Securityholder made a valid Election to receive Cash Consideration.
- (h) In the manner considered appropriate by AGL and BidCo (acting reasonably including after consultation with the AGL Registry), a Scheme Securityholder who holds one or more parcels of Scheme Securities as trustee or nominee for, or otherwise on account of, another person, may make separate elections to receive either Cash Consideration or Scrip Consideration for all of their Scheme Securities in relation to each of those parcels of Scheme Securities.
- (i) Subject to clauses 5.4(c), 5.2(m), 5.7 and 5.9 if a Scheme Securityholder makes a valid Election to receive Scrip Consideration, it will receive Scrip Consideration in respect of that Scheme Securityholder's entire registered holding of Scheme Securities at the Scheme Record Date regardless of whether the Scheme Securityholder's holding of Scheme Securities is greater or less than the Scheme Securityholder's holding at the time it made its Election, unless BidCo and the Scheme Securityholder agree otherwise, in their absolute discretion.
- (j) Subject to clauses 5.2(k) and 5.2(l), an Election Form will not be valid unless it is completed and received in accordance with the procedures set out in clause 5.2(c).
- (k) AGL will determine, in its sole discretion, all questions as to the correct completion of an Election Form, and time of receipt of an Election Form. AGL is not required to communicate with any Scheme Securityholder prior to making this determination. The determination of AGL will be final and binding on the Scheme Securityholder.
- (l) Notwithstanding clause 5.2(c), AGL may, in its sole discretion but subject to the consent of BidCo, at any time and without further communication to Scheme Securityholder, deem any Election Form it receives from a Scheme Securityholder to be a valid Election in respect of the relevant Scheme Securities, even if a requirement for a valid Election has not been complied with.
- (m) The issue of Scrip Consideration under this Scheme is conditional on valid elections being made to receive the Scrip Consideration in respect of such

# ANNEXURE B

## AGL SCHEME CONT



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5 Scheme Consideration

number of Stapled Securities that is equal to or greater than the Minimum Scrip Consideration Threshold. All Scheme Securityholders will be deemed to have made a valid Election to receive the Cash Consideration if the Minimum Scrip Consideration Threshold is not met.

### 5.3 Provision of Cash Consideration

- (a) BidCo must, and TopCo must use its best endeavours to procure that BidCo does, by no later than the Business Day before the Implementation Date, deposit, or procure the deposit, in cleared funds of an amount equal to the aggregate amount of the Cash Consideration payable to all Scheme Securityholders into an Australian dollar denominated trust account, which will be an account held with an Australian authorised deposit-taking institution, operated by AGL as trustee for the Scheme Securityholders (**Trust Account**) (provided that any interest on the amounts deposited (less bank fees and other charges) will be to BidCo's account).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.3(a), AGL must pay or procure the payment of the Cash Consideration from the Trust Account, to each Scheme Securityholder who:
- (1) does not make an Election;
  - (2) does not make a valid Election;
  - (3) makes or is deemed to make a valid Election (or otherwise validly elects or is deemed to validly elect pursuant to clause 5.2(g)) to receive Cash Consideration in respect of all (or if permitted pursuant to clause 5.2(h), some) of that Scheme Securityholders' Scheme Securities (including Ineligible Foreign Shareholders in accordance with clause 5.2(e)(2)); and
  - (4) makes a valid Election to receive Scrip Consideration, to the extent that Scheme Securityholder's Scrip Consideration was scaled back under the Scaleback Arrangements, determined in accordance with the terms of this Scheme.
- (c) The obligations of AGL under clause 5.3(b) will be satisfied by AGL (in its absolute discretion, 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 Securityholder):
- (1) if a Scheme Securityholder has, before the Scheme Record Date, made a valid Election in accordance with the requirements of the AGL Registry to receive dividend payments from AGL by electronic funds transfer to a bank account nominated by the Scheme Securityholder, 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 Scheme Securityholder by an appropriate authority from the Scheme Securityholder to AGL; or
  - (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Securityholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme

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Securityholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.4(c)).

- (d) To the extent that, following satisfaction of AGL's obligations under clause 5.3(b), there is a surplus in the amount held by AGL as trustee for the Scheme Securityholders in the Trust Account, that surplus shall be paid by AGL to BidCo.
- (e) If AGL 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, AGL 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 the Schemes). AGL 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.

#### 5.4 Provision of Scrip Consideration

- (a) Subject to clause 5.2(m), on or before the Implementation Date, and subject to the Scaleback Arrangements:
  - (1) TopCo must issue the number of TopCo Class B Shares (in aggregate) to AOG L.P., that is equivalent to the number of the AOG L.P. Units that the Scheme Securityholders are entitled to receive as Scrip Consideration in accordance with this Scheme;
  - (2) TopCo must issue a number of TopCo Class B Loan Notes representing an amount in Australian dollars (in aggregate) to AOG L.P., that, in respect of both number and amount in Australian dollars, as a proportion of TopCo Class A Loan Notes on issue or to be issued on the Implementation Date, is equal to the proportion that all TopCo Class B Shares to be issued on the Implementation Date bears to all TopCo Class A Shares on issue at the Implementation Date;
  - (3) AOG L.P. must issue AOG L.P. Units to each Scheme Securityholder who is entitled to receive the Scrip Consideration and makes a valid Election, or is otherwise deemed to have validly elected, to receive Scrip Consideration in respect of that Scheme Securityholder's Scheme Securities; and
  - (4) on or before the date that is five Business Days after the Implementation Date:
    - (A) TopCo must send, or procure the sending of, a certificate in respect of the TopCo Class B Securities issued under clauses 5.4(a)(1) and (2) to AOG L.P.; and
    - (B) AOG L.P. must send, or procure the sending of, a certificate (or confirmation document) on behalf of AOG L.P. to the Registered Address of each Scheme Securityholder setting out the number of AOG L.P. Units issued to the Scheme Securityholder under this Scheme and the Trust Scheme.
- (b) Each of BidCo and TopCo must ensure that the TopCo Class B Securities issued to AOG L.P., on behalf of AOG L.P. will, at the time they are issued:
  - (1) be identical, in aggregate, to such number of AOG L.P. Units as is required to be issued under this Scheme;

# ANNEXURE B

## AGL SCHEME CONT



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5 Scheme Consideration

- (2) subject to the TopCo Shareholders Agreement, in the case of TopCo Class B Shares, rank equally with all existing shares in TopCo, including TopCo Class A Shares;
  - (3) in the case of TopCo Class B Loan Notes, rank equally with all existing loan notes in TopCo, including TopCo Class A Loan Notes;
  - (4) be duly and validly issued in accordance with applicable laws and the TopCo Constitution and the TopCo Shareholders' Deed; and
  - (5) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest, or any third party right.
- (c) Each of BidCo and AOG L.P. must ensure that each AOG L.P. Unit issued as Scrip Consideration will, at the time they are issued:
- (1) rank equally in all respects and be the only existing AOG L.P. Units;
  - (1) be duly and validly issued in accordance with applicable laws and the Partnership Agreement and the TopCo Shareholders' Deed; and
  - (2) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest, or any third party right.

### 5.5 Scaleback Arrangements

- (a) If the Aggregate Elected Scrip Consideration Number is less than or equal to the Available Scrip Consideration Number, each Scheme Securityholder who makes a valid Election will receive AOG L.P. Units, the subject of their valid Elections in full, subject to the other conditions in this Scheme.
- (b) If the Aggregate Elected Scrip Consideration Number exceeds the Available Scrip Consideration Number, each Scheme Securityholder who is entitled to receive Scrip Consideration will receive Scrip Consideration in respect of such number of Scheme Securities as is calculated in accordance with the formula below only (**Scaleback Scheme Securities**), and that Scheme Securityholder will receive the Cash Consideration in respect of their remaining Scheme Securities:

$$\text{Scaleback Scheme Securities} = A \times (B / C)$$

where:

**A** is the number of Scheme Securities the subject of the Scheme Securityholder's valid Election;

**B** is the Available Scrip Consideration Number;

**C** is the Aggregate Elected Scrip Consideration Number; and

If the formula above results in a fractional number of Scaleback Scheme Securities for a Scheme Securityholder, the number of Scaleback Scheme Securities shall be rounded down to the nearest whole number.

### 5.6 Joint holders

In the case of Scheme Securities held in joint names:

- (a) subject to clause 5.3(c), any Cash Consideration payable in respect of those Scheme Securities is payable to the joint holders and any cheque required to be sent under this Scheme and the Trust Scheme will be made payable to the joint holders and sent to either, at the sole discretion of AGL, the holder whose name appears first in the Aveo Securities Register as at the Scheme Record Date or to the joint holders;

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- (b) any AOG L.P. Units to be issued under this Scheme and the Trust Scheme must be issued to and registered in the names of the joint holders; and
- (c) any other document required to be sent under this Scheme and the Trust Scheme, will be forwarded to either, at the sole discretion of AGL, the holder whose name appears first in the Aveo Securities Register as at the Scheme Record Date or to the joint holders.

### 5.7 Fractional entitlements and splitting

- (a) Where the calculation of the number of AOG L.P. Units to be issued to a particular Scheme Securityholder would result in the Scheme Securityholder becoming entitled to a fraction of an AOG L.P. Unit, then the fractional entitlement will be rounded to the nearest whole number of AOG L.P. Units, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of AOG L.P. Units, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of AOG L.P. Units.
- (b) Where the calculation of the Cash Consideration to be provided to a particular Scheme Securityholder would result in the Scheme Securityholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down (as applicable) to the nearest cent.

### 5.8 Unclaimed monies

- (a) AGL may cancel a cheque issued under this clause 5 if the cheque:
  - (1) is returned to AGL; 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 Securityholder to AGL (or the Aveo Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), AGL must reissue a cheque that was previously cancelled under this clause 5.8.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in sections 7 and 8 of the *Unclaimed Money Act 1995* (NSW)).

### 5.9 Orders of a court or Government Agency

If written notice is given to AGL (or the Aveo Registry), BidCo or AOG L.P. (or its 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 Securities held by a particular Scheme Securityholder, which would otherwise be payable or required to be issued to that Scheme Securityholder by AGL in accordance with this clause 5, then AGL shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents AGL from providing consideration to any particular Scheme Securityholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, AGL shall be entitled to (as applicable):

# ANNEXURE B

## AGL SCHEME CONT



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FREEHILLS

6 Dealings in Stapled Securities

- (1) retain an amount, in Australian dollars, equal to the number of Scheme Securities held by that Scheme Securityholder multiplied by the Scheme Consideration; or
- (2) direct AOG L.P. not to issue, or to issue to a trustee or nominee, such number of AOG L.P. Units as that Scheme Securityholder 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.

### 5.10 Status of AOG L.P. Units, TopCo Class B Shares and TopCo Class B Loan Notes

Subject to this Scheme becoming Effective:

#### AOG L.P. Units

- (a) AOG L.P. must issue the AOG L.P. Units required to be issued by it under this Scheme and the Trust Scheme on terms such that each such AOG L.P. Unit will rank equally and the AOG L.P. Units will be the only existing AOG L.P. Units;
- (b) BidCo and AOG L.P. must ensure that each such AOG L.P. Unit is duly and validly issued in accordance with all applicable laws and the AOG Partnership Agreement and the TopCo Shareholders' Deed, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest;

#### TopCo Class B Shares

- (c) TopCo must issue such number of TopCo Class B which (in aggregate) is identical to the number of AOG L.P. Units required to be issued by it under this Scheme and the Trust Scheme on terms such that each such TopCo Class B Shares will rank equally in all respects with each existing share in TopCo, including each TopCo Class A Share (subject to the terms of the TopCo Shareholders' Agreement);
- (d) TopCo will ensure that each such TopCo Class B Share is duly and validly issued in accordance with all applicable laws, the TopCo Constitution and the TopCo Shareholders' Agreement, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest;

#### TopCo Class B Loan Notes

- (e) the TopCo Class B Loan Notes will rank equally in all respects with each existing loan note in TopCo, including each TopCo Class A Loan Note;
- (f) at the time they are issued the TopCo Class B Loan Notes will be, as a proportion of the TopCo Class A Loan Notes issued, identical to the proportion that the number of TopCo Class B Shares bears to the TopCo Class A Shares and
- (g) TopCo will ensure that each such TopCo Class B Loan Note is duly and validly issued in accordance with all applicable laws, the TopCo Constitution and the TopCo Shareholders' Deed, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

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## 6 Dealings in Stapled Securities

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### 6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Stapled Securities or other alterations to the Aveo Securities 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 Aveo Securities Register as the holder of the relevant Stapled Securities 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 Aveo Securities Register is kept,

and AGL must not accept for registration, nor recognise for any purpose (except a transfer to BidCo pursuant to this Scheme and any subsequent transfer by BidCo 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.

### 6.2 Register

- (a) AGL must register, or cause to be registered registrable transmission applications or transfers of the Scheme Securities that are received 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 AGL to register a transfer that would result in a Stapled Securityholder holding a parcel of Stapled Securities 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 Securities (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Securities 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 AGL shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, AGL must maintain, or cause to be maintained, the Aveo Securities Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Securityholders. The Aveo Securities Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for the Scheme Securities (other than statements of holding in favour of BidCo or any Excluded Shareholders) 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 Aveo Securities Register (other than entries on the Aveo Securities Register in respect of BidCo or any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Scheme Securities 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, AGL will

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## AGL SCHEME CONT



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FREEHILLS

7 Quotation of Stapled Securities

ensure, or cause that details of the names, Registered Addresses and holdings of Stapled Securities for each Scheme Securityholder as shown in the Aveo Securities Register are available to BidCo in the form BidCo reasonably requires.

### 7 Quotation of Stapled Securities

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- (a) AGL must apply to ASX to suspend trading of the Stapled Securities on the ASX with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by BidCo, AGL must apply:
  - (1) for termination of the official quotation of the Stapled Securities on the ASX; and
  - (2) to have itself removed from the official list of the ASX.

### 8 General Scheme provisions

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#### 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) AGL may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which BidCo has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Aveo has consented to.

#### 8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
  - (1) agrees to the transfer of their Scheme Securities together with all rights and entitlements attaching to those Scheme Securities in accordance with this Scheme;
  - (2) agrees to the variation, cancellation or modification of the rights attached to their Scheme Securities constituted by or resulting from this Scheme;
  - (3) that has made a valid Election in respect of Scrip Consideration:
    - (A) agrees to become a limited partner of AOG L.P. and to be bound by the terms of the Partnership Agreement;
    - (B) warrants that it holds all required approvals or authorisations necessary to acquire AOG L.P. Units pursuant to the Scheme;
  - (4) who holds their Scheme Securities in a CHES Holding agrees to the conversion of those Scheme Securities to an Issuer Sponsored Holding and irrevocably authorises AGL to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and

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- (5) acknowledges and agrees that the Schemes bind AGL and all Scheme Securityholders (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 AGL, Aveo Funds RE and BidCo on the Implementation Date, and appointed and authorised AGL as its attorney and agent to warrant to BidCo on the Implementation Date, that all their Scheme Securities (including any rights and entitlements attaching to those shares) which are transferred under the Schemes 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 Scheme Securities to BidCo together with any rights and entitlements attaching to those shares. AGL undertakes that it will provide such warranty to BidCo 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 BidCo will, at the time of transfer of them to BidCo vest in BidCo 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 Securityholder in the manner contemplated by clauses 5.3(b), 5.3(c), 5.3(b) and 5.4(a)(1), BidCo will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by AGL of BidCo in the Aveo Securities Register as the holder of the Scheme Shares.

### 8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Securityholder in the manner contemplated by clauses 5.3(b), 5.3(c), 5.3(b) and 5.4(a)(1), and until AGL and Aveo Funds RE register BidCo as the holder of all Scheme Securities in the Aveo Securities Register, each Scheme Shareholder:

- (a) is deemed to have appointed BidCo as attorney and agent (and directed BidCo in each such capacity) to appoint any director, officer, secretary or agent nominated by BidCo 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));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as BidCo reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), BidCo and any director, officer, secretary or agent nominated by BidCo

# ANNEXURE B

## AGL SCHEME CONT



HERBERT  
SMITH  
FREEHILLS

9 General

under clause 8.4(a) may act in the best interests of BidCo as the intended registered holder of the Scheme Shares.

### 8.5 Authority given to AGL

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints AGL 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 BidCo, TopCo and AOG L.P., and AGL undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against BidCo on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints AGL 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 AGL accepts each such appointment. AGL 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).

### 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 Securityholder to AGL that are binding or deemed binding between the Scheme Securityholder and AGL relating to AGL or the Stapled Securities, including instructions, notifications or elections relating to:

- (a) whether distributions are to be paid by cheque or into a specific bank account;
- (b) payments of distributions on the Stapled Securities; and
- (c) notices or other communications from AGL (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by General Partner in its sole discretion), by reason of this Scheme, to be made by the Scheme Securityholder to AOG L.P. and to be a binding instruction, notification or election to, and accepted by, AOG L.P. in respect of the AOG L.P. Units issued to that Scheme Securityholder until that instruction, notification or election is revoked or amended in writing addressed to AOG L.P..

### 8.7 Binding effect of Scheme

This Scheme binds AGL 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 AGL.

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## 9 General

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### 9.1 Stamp duty

BidCo 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 the Schemes 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 AGL doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, AGL 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 AGL, 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 AGL's registered office or at the office of the Aveo Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by an AGL 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 New South Wales, Australia.
- (b) The parties irrevocably submit to the exclusive jurisdiction of courts exercising jurisdiction in New South Wales, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties 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.

### 9.5 Further action

AGL 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 AGL, nor any director, officer, secretary or employee of AGL shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

# ANNEXURE B

## AGL SCHEME CONT



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### Schedule 1

#### Definitions and interpretation

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#### 1 Definitions

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The meanings of the terms used in this Scheme are set out below.

Term	Meaning
<b>Aggregate Elected Scrip Consideration Number</b>	the total number of Scheme Securities the subject of all valid Elections to receive Scrip Consideration.
<b>AGL</b>	Aveo Group Limited ABN 28 010 729 950
<b>AGL Share</b>	a fully paid ordinary share in AGL.
<b>AGL Shareholder</b>	each person who is registered as the holder of a Aveo Share in the Aveo Securities Register.
<b>AOG L.P.</b>	a Bermudan Limited Partnership of that name, established under the AOG L.P. Partnership Agreement.
<b>AOG L.P. Partnership Agreement</b>	the AOG L.P. partnership agreement entered into between the General Partner and another dated 18 July 2019.
<b>AOG L.P. Units</b>	limited partnership interests represented by units in AOG LP, issued on the terms specified in the AOG L.P. Partnership Agreement.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
<b>Available Scrip Consideration Number</b>	160,623,080 (Stapled Securities).

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FREEHILLS

Schedule 1 Definitions and interpretation

Term	Meaning
<b>Aveo Group</b>	Aveo and each of its Subsidiaries (including Aveo Funds RE acting in its capacity as responsible entity of Aveo Group Trust), and a reference to a Aveo Group Member or a member of the Aveo Group is to Aveo or any of its Subsidiaries.
<b>Aveo Group Trust Unit</b>	a fully paid ordinary unit in the Aveo Group Trust.
<b>Aveo Registry</b>	the corporate registry retained by Aveo.
<b>Aveo Securities Register</b>	the register of members of Aveo maintained in accordance with the Corporations Act.
<b>BidCo</b>	Hydra RL BidCo Pty Ltd ACN 635 013 857.
<b>BidCo Group</b>	BidCo and each of its Related Bodies Corporate and a reference to a <b>BidCo Group Member</b> or a <b>member of the BidCo Group</b> is to BidCo or any of its Related Bodies Corporate.
<b>BidCo Register</b>	the register of shareholders retained by BidCo or its agent.
<b>BidCo Registry</b>	the corporate registry maintained by BidCo.
<b>Business Day</b>	a business day as defined in the Listing Rules and which is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, Australia.
<b>Cash Consideration</b>	A\$2.195 cash for each Scheme Security held by a Scheme Securityholder, less the Aveo Permitted Dividend.
<b>CHESS</b>	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
<b>CHESS Holding</b>	has the meaning given in the Settlement Rules.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).

# ANNEXURE B

## AGL SCHEME CONT



HERBERT  
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### Schedule 1 Definitions and interpretation

Term	Meaning
<b>Court</b>	the Supreme Court of New South Wales, or such other court of competent jurisdiction under the Corporations Act agreed to in writing by BidCo and Aveo.
<b>Deed Poll</b>	the deed poll under which each of BidCo, AOG L.P. and TopCo covenants in favour of the Scheme Securityholders to perform the obligations attributed to BidCo, AOG L.P. and TopCo under the Schemes.
<b>Effective</b>	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.
<b>Effective Date</b>	the date on which this Scheme becomes Effective.
<b>Election</b>	has the meaning in clause 5.2(a).
<b>Election Form</b>	the election form to be provided upon request under which each Stapled Securityholder (other than any Excluded Shareholder) may elect to receive either the Scrip Consideration or the Cash Consideration in respect of all of their Stapled Securities.
<b>Election Time</b>	5.00pm on the date that is eight clear Business Days before the date of the Scheme Meeting, or such other date as agreed by the BidCo and Aveo in writing.
<b>End Date</b>	six months after the date of the Implementation Deed, or such other date as agreed in writing by BidCo and Aveo.
<b>Excluded Shareholder</b>	any Stapled Securityholder who is a member of the BidCo Group or any Stapled Securityholder who holds any Stapled Securities on behalf of, or for the benefit of, any member of the BidCo Group and does not hold Stapled Securities on behalf of, or for the benefit of, any other person.
<b>General Partner</b>	AOG GP Limited, a Bermuda exempted company and the general partner of AOG L.P..
<b>Government Agency</b>	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department,

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Term	Meaning
	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.
<b>Implementation Date</b>	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by AGL and BidCo.
<b>Implementation Deed</b>	the scheme implementation deed dated 14 August 2019 between AGL and BidCo relating to the implementation of this Scheme.
<b>Ineligible Foreign Shareholder</b>	a Scheme Securityholder whose address in the Aveo Securities Register as at the Scheme Record Date is a place outside Australia, New Zealand, Bermuda, British Virgin Islands or Malaysia unless BidCo and Aveo agree in writing that it is lawful and not unduly onerous or impractical to issue AOG L.P. Units to that Scheme Securityholder if the Scheme Securityholder so elects under the Schemes.
<b>Issuer Sponsored Holding</b>	has the meaning given in the Settlement Rules.
<b>Listing Rules</b>	the official listing rules of ASX.
<b>Minimum Scrip Consideration Threshold</b>	valid Elections made for the Scrip Consideration in respect of 58,073,767 Stapled Securities.
<b>Operating Rules</b>	the official operating rules of ASX.
<b>Registered Address</b>	in relation to a Stapled Securityholder, the address shown in the Aveo Securities Register as at the Scheme Record Date.
<b>Scaleback Arrangements</b>	as defined in clause 5.4(c).
<b>Scaleback Scrip Consideration</b>	as defined in clause 5.5(b).

# ANNEXURE B

## AGL SCHEME CONT



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### Schedule 1 Definitions and interpretation

Term	Meaning
<b>Scheme</b>	this scheme of arrangement under Part 5.1 of the Corporations Act between AGL 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 AGL and BidCo.
<b>Scheme Booklet</b>	the scheme booklet published by Aveo and dated 27 September 2019.
<b>Scheme Consideration</b>	for each Stapled Security held by a Scheme Securityholder as at the Scheme Record Date: <ol style="list-style-type: none"> <li>1 the Cash Consideration; or</li> <li>2 the Scrip Consideration,</li> </ol> subject to the terms of the Schemes.
<b>Scheme Meeting</b>	the meeting of the Aveo Shareholders (other than Excluded 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.
<b>Scheme Record Date</b>	7.00pm on the fifth Business Day after the Effective Date, or such other Business Day after the Effective Day as may be agreed to in writing by BidCo and Aveo.
<b>Scheme Security</b>	an AGL Share stapled to Aveo Group Trust Unit as at the Scheme Record Date.
<b>Scheme Securityholder</b>	each person who is registered as the holder of a Stapled Security in the Aveo Securities Register as at the Scheme Record Date other than an Excluded Securityholder.
<b>Scheme Share</b>	an AGL Share as at the Scheme Record Date.
<b>Scheme Shareholder</b>	a holder of AGL Shares recorded in the Aveo Securities Register as at the Scheme Record Date (other than an Excluded Shareholder).
<b>Scheme Transfer</b>	a duly completed and executed proper instrument of transfer in respect of the Scheme Securities for the purposes of section 1071B of the Corporations Act, in favour of BidCo as transferee, which may be a master transfer of all or part of the Scheme Securities.

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Term	Meaning
<b>Schemes</b>	the Trust Scheme and this Scheme.
<b>Scrip Consideration</b>	2.15 AOG L.P. Units for one Stapled Security.
<b>Scrip Participant</b>	Scheme Securityholder who has made a valid Election to receive Scrip Consideration.
<b>Second Court Date</b>	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.
<b>Settlement Rules</b>	the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.
<b>Stapled Security</b>	an AGL Share stapled to an Aveo Group Trust Unit.
<b>Stapled Securityholder</b>	each person who is registered as the holder of a Stapled Security in the Aveo Securities Register.
<b>Subsidiary</b>	<p>has the meaning given in Division 6 of Part 1.2 of the Corporations Act, provided that an entity will also be taken to be a Subsidiary of another entity if it is Controlled by that entity and, without limitation:</p> <ol style="list-style-type: none"> <li>1 a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share;</li> <li>2 an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and</li> <li>3 an entity will also be deemed to be a Subsidiary of an entity if that entity is required by the accounting standards to be consolidated with that entity.</li> </ol>
<b>TopCo</b>	Hydra RL TopCo Pty Ltd ACN 635 012 434.
<b>TopCo Class B Securities</b>	the TopCo Class B Shares and the TopCo Class B Loan Notes.
<b>TopCo Constitution</b>	the constitution in relation to TopCo to be adopted by TopCo, in substantially the form agreed between Aveo and BidCo.

# ANNEXURE B

## AGL SCHEME CONT



HERBERT  
SMITH  
FREEHILLS

Schedule 1 Definitions and interpretation

Term	Meaning
<b>Trust Account</b>	as defined in clause 5.3.
<b>Trust Scheme</b>	as defined in the Implementation Deed.
<b>Trust Scheme Unit</b>	an Aveo Group Trust Unit as at the Scheme Record Date.

## 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;
- (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 Sydney;
- (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;

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- (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

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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

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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.

# ANNEXURE B

## AGL SCHEME CONT

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Attachment 1

Deed Poll

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**Attached**

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# ANNEXURE C AVEO GROUP TRUST SUPPLEMENTAL DEED

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Deed

## Constitution of Aveo Group Trust Amending Deed

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Aveo Funds Management Limited

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

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## Constitution of Aveo Group Trust Amending Deed

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Date ►

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Responsible Entity **Aveo Funds Management Limited**  
ACN 089 800 082 of Level 5, 99 Macquarie Street, Sydney NSW  
2000

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- Recitals**
- A Aveo Group Trust ARSN 099 648 754 (**Trust**) is governed by a trust constitution dated 18 February 2002 as amended from time to time (**Trust Deed**) and lodged with the Australian Securities and Investments Commission.
  - B The Trust is registered as a managed investment scheme under Chapter 5C of the Corporations Act 2001. The constitution of the Trust is contained in the Trust Deed.
  - C The Constitution was amended by deeds dated 22 October 2004, 28 October 2004, 16 September 2005, 16 December 2005, 6 July 2009, 24 December 2010 and 1 November 2013.
  - D As at 14 August 2019, there are 580,737,672 Units on issue. Each Unit is Stapled to one AGL Share, and they trade together as a Stapled Security on ASX.
  - E BidCo will acquire the Scheme Securities under the AGL Scheme and the Trust Scheme.
  - F Aveo, BidCo and TopCo have agreed, by executing the Implementation Deed, to implement the AGL Scheme and the Trust Scheme.
  - G The Trust Deed must be amended in the manner set out in this amending deed to facilitate the Trust Scheme.
  - H Section 601GC(1)(a) of the Corporations Act 2001 provides that the Trust Deed may be modified by special resolution of the Trust Unitholders.
  - I At a meeting of Trust Unitholders held on or about 6 November 2019, Trust Unitholders approved the Trust Scheme Resolutions, including a special resolution to make the amendments to the Trust Deed contained in this deed.
- 

This deed witnesses as follows:

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# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

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## 1 Definitions and interpretation

### 1.1 Definitions

- (a) A word or phrase (except as otherwise provided in this deed) defined in the Trust Deed has the same meaning when used in this amending deed.
- (b) The meanings of the terms used in this deed are set out below.

Term	Meaning
<b>Aggregate Elected Scrip Consideration Number</b>	the total number of Scheme Securities the subject of all valid Elections to receive Scrip Consideration.
<b>AGL</b>	Aveo Group Limited ABN 28 010 729 950.
<b>AGL Scheme</b>	the scheme of arrangement under Part 5.1 of the Corporations Act between AGL and the AGL Shareholders, the form of which is attached as Attachment 2 in the Scheme Implementation Deed dated 14 August 2019, 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 BidCo and Aveo.
<b>AGL Scheme Shares</b>	all AGL Shares held by the AGL Shareholders as at the Scheme Record Date.
<b>AGL Share</b>	a fully paid ordinary share in AGL.
<b>AGL Shareholder</b>	each person who is registered as the holder of an AGL Share in the Aveo Securities Register.
<b>AOG L.P.</b>	a Bermudan Limited Partnership of that name, established under the AOG L.P. Partnership Agreement.
<b>AOG L.P. Partnership Agreement</b>	the AOG L.P. partnership agreement entered into between the General Partner and another dated 18 July 2019.
<b>AOG L.P. Units</b>	limited partnership interests represented by units in AOG L.P., issued on the terms specified in the AOG L.P. Partnership

1 Definitions and interpretation

<b>Term</b>	<b>Meaning</b>
	Agreement.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ABN 98 008 624 691, and where the context requires, the financial market that it operates.
<b>Available Scrip Consideration Number</b>	160,623,080 (Stapled Securities).
<b>Aveo</b>	collectively, AGL and the Responsible Entity.
<b>Aveo Group Trust Constitution</b>	the constitution establishing the Aveo Group Trust dated 18 February 2002, as amended on 22 October 2004, 28 October 2004, 16 September 2005, 16 December 2005, 6 July 2009, 24 December 2010 and 1 November 2013.
<b>Aveo Group Trust Supplemental Deed</b>	a deed poll under which the Responsible Entity will amend the Aveo Group Trust Constitution to effect the Trust Scheme.
<b>Aveo Group Trust Unit</b>	a fully paid ordinary unit in the Aveo Group Trust.
<b>Aveo Registry</b>	the corporate registry retained by Aveo.
<b>Aveo Securities Register</b>	the register of members of Aveo maintained in accordance with the Corporations Act.
<b>BidCo</b>	Hydra RL BidCo Pty Ltd ACN 635 013 857.
<b>BidCo Registry</b>	the corporate registry retained by BidCo.
<b>Business Day</b>	a business day as defined in the Listing Rules and which is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, Australia.
<b>Cash Consideration</b>	A\$2.195 for each Scheme Security held by a Scheme Securityholder, less the Aveo Permitted Dividend.

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

#### 1 Definitions and interpretation

Term	Meaning
<b>CHESS</b>	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
<b>CHESS Holding</b>	has the meaning given in the Settlement Rules.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Court</b>	the Supreme Court of New South Wales, or such other court of competent jurisdiction under the Corporations Act agreed to in writing by BidCo and Aveo.
<b>Effective Date</b>	is the date on which a copy of this amending deed is lodged with ASIC under section 601GC(2) of the Corporations Act 2001.
<b>Election</b>	has the meaning in clause 5.2(a) of the AGL Scheme.
<b>Election Form</b>	the election form to be provided upon request under which each Stapled Securityholder (other than any Excluded Shareholder) may elect to receive either the Scrip Consideration or the Cash Consideration in respect of all of their Stapled Securities.
<b>Election Time</b>	5.00pm on the date that is eight clear Business Days before the date of the Trust Scheme Meeting, or such other date as agreed by the BidCo and Aveo in writing.
<b>Excluded Securityholder</b>	any Stapled Securityholder who is a member of the BidCo Group or any Stapled Securityholder who holds any Stapled Securities on behalf of, or for the benefit of, any member of the BidCo Group and does not hold Stapled Securities on behalf of, or for the benefit of, any other person.
<b>General Partner</b>	AOG GP Limited, a Bermuda exempted company and the general partner of AOG LP.
<b>Government Agency</b>	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.

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## 1 Definitions and interpretation

Term	Meaning
<b>Implementation Date</b>	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by AGL and BidCo.
<b>Implementation Deed</b>	the implementation deed dated 14 August 2019 between Aveo and BidCo, TopCo and AOG L.P. relating to the implementation of the Schemes.
<b>Ineligible Foreign Securityholder</b>	a Scheme Securityholder whose address in the Aveo Securities Register as at the Scheme Record Date is a place outside Australia, New Zealand, Bermuda, British Virgin Islands, or Malaysia, unless BidCo and Aveo agree in writing that it is lawful and not unduly onerous or impractical to issue AOG L.P. Units to that Scheme Securityholder if the Scheme Securityholder so elects under the Schemes.
<b>Issuer Sponsored Holding</b>	has the meaning given in the Settlement Rules.
<b>Listing Rules</b>	the official listing rules of ASX.
<b>Minimum Scrip Consideration Threshold</b>	valid Elections made for the Scrip Consideration in respect of 58,073,767 Stapled Securities.
<b>Registered Address</b>	in relation to a Stapled Securityholder, the address shown in the Aveo Securities Register as at the Scheme Record Date.
<b>Scaleback Arrangements</b>	has the meaning specified in clause 27.9.
<b>Scaleback Scrip Consideration</b>	has the meaning specified in clause 27.9.
<b>Scheme Consideration</b>	for each Stapled Security held by a Scheme Securityholder as at the Scheme Record Date; <ul style="list-style-type: none"> <li>the Cash Consideration; or</li> <li>the Scrip Consideration,</li> </ul> subject to the terms of the Schemes.

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

#### 1 Definitions and interpretation

Term	Meaning
<b>Scheme Deed Poll</b>	the deed poll under which each of BidCo, AOG L.P. and TopCo covenants in favour of the Scheme Securityholders to perform the obligations attributed to BidCo, AOG L.P. and TopCo under the Schemes.
<b>Scheme Record Date</b>	7.00pm on the fifth Business Day after the Effective Date, or such other Business Day after the Effective Date as may be agreed to in writing by BidCo and Aveo.
<b>Scheme Security</b>	an AGL Share stapled to Aveo Group Trust Unit as at the Scheme Record Date.
<b>Scheme Securityholder</b>	each person who is registered as the holder of a Stapled Security in the Aveo Securities Register as at the Scheme Record Date other than an Excluded Securityholder.
<b>Scheme Transfer</b>	a duly completed and executed proper instrument of transfer in respect of the Scheme Securities for the purposes of section 1071B of the Corporations Act, in favour of BidCo as transferee, which may be a master transfer of all or part of the Scheme Securities.
<b>Schemes</b>	the Trust Scheme and the AGL Scheme.
<b>Scrip Consideration</b>	2.15 AOG L.P. units for one Stapled Security.
<b>Scrip Participant</b>	Trust Unitholder who has made a valid Election to receive Scrip Consideration.
<b>Settlement Rules</b>	ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.
<b>Stapled Security</b>	a fully paid ordinary share in the capital of AGL stapled to an Aveo Group Trust Unit.
<b>Stapled Securityholder</b>	each person who is registered as the holder of a Stapled Security in the Aveo Securities Register.
<b>Subsidiary</b>	has the meaning given in Division 6 of Part 1.2 of the Corporations Act, provided that an entity will also be taken to be a Subsidiary of another entity if it is Controlled by that entity and, without limitation:

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1 Definitions and interpretation

<b>Term</b>	<b>Meaning</b>
	<ol style="list-style-type: none"> <li>1 a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share;</li> <li>2 an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and</li> <li>3 an entity will also be deemed to be a Subsidiary of an entity if that entity is required by the accounting standards to be consolidated with that entity.</li> </ol>
<b>TopCo</b>	Hydra RL TopCo Pty Ltd ACN 635 012 323.
<b>TopCo Class B Loan Note</b>	a "Class B Note" as defined in the TopCo Shareholders' Deed.
<b>TopCo Class B Securities</b>	the TopCo Class B Shares and the TopCo Class B Loan Notes.
<b>TopCo Class B Share</b>	a "Class B Share" as defined in the TopCo Shareholders' Deed.
<b>TopCo Constitution</b>	the constitution in relation to TopCo to be adopted by TopCo, in substantially the form agreed between Aveo and BidCo.
<b>TopCo Shareholders' Deed</b>	the shareholders deed in relation to TopCo to be adopted by TopCo, in substantially the form agreed between Aveo and BidCo.
<b>Trust</b>	Aveo Group Trust ARSN 099 648 754.
<b>Trust Account</b>	has the meaning specified in the AGL Scheme.
<b>Trust Scheme</b>	an arrangement under which BidCo acquires all of the Aveo Group Trust Units from Trust Scheme Participants facilitated by amendments to the Aveo Group Trust Constitution as set out in Schedule 1 of this deed, subject to the requisite approvals of the Trust Unitholders.
<b>Trust Scheme Meeting</b>	meeting of the Trust Unitholders convened by the Responsible Entity to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.
<b>Trust Scheme</b>	each person registered in the Aveo Securities Register as a holder

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

#### 1 Definitions and interpretation

Term	Meaning
<b>Participants</b>	of Trust Scheme Units as at the Scheme Record Date.
<b>Trust Scheme Resolutions</b>	the resolutions to approve the Trust Scheme including: <ol style="list-style-type: none"> <li>1 a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the Aveo Group Trust Constitution as set out in the Aveo Group Trust Supplemental Deed; and</li> <li>2 a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the Trust Units by the Responsible Entity.</li> </ol>
<b>Trust Scheme Unit</b>	Aveo Group Trust Unit as at the Scheme Record Date.
<b>Trust Unitholder</b>	a person who is registered in the Aveo Securities Register as holder of the Aveo Group Trust Units.

#### 1.2 Interpretation

In this deed:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this deed;
- (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 deed 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, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this deed;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (h) a reference to a document (including this deed) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency unless denominated otherwise;
- (j) a reference to any time is a reference to that time in Sydney, New South Wales;

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## 2 Operation of this deed

- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this deed;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this deed will be construed adversely to a party because that party was responsible for the preparation of this deed or that provision;
- (n) a reference to a body, other than a party to this deed (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.

### 1.3 Interpretation of inclusive expressions

Specifying anything in this deed after the words 'including', 'includes' or 'for example' or similar expressions does not limit what else is included.

### 1.4 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.

## 2 Operation of this deed

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Clause 3 of this deed shall take effect on and from the Effective Date.

## 3 Conditions

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This document is conditional upon, and will have no force of effect until, the satisfaction of each conditions precedent stipulated in clause 3.1 of the Scheme (as defined in the Implementation Deed) other than the coming into effect of the amendments made by this document.

## 4 Amendment of the Trust Deed

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### 4.1 Amendment

- (a) The Trust Deed as it applies to the Trust is amended (except for clause 2.2 and clause 2.7, which are not amended or affected by this deed in any way) by:
  - (1) inserting as a new Part 27 the text contained in Schedule 1; and
  - (2) amending the definitions in clause 1.1 as set out in Schedule 2, including replacing any existing definition with the definition as set out in Schedule 2.

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

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#### 5 Governing law and jurisdiction

- (b) The Responsible Entity confirms that clauses 2.2 and 2.7 of the Trust Deed are not replaced, amended or otherwise affected in any way by this deed.
- (c) The Trust Deed as it applies to the Trust and as amended by this deed is the constitution of the Trust.

#### 4.2 Binding conditions

This deed is binding on the Responsible Entity, each Trust Unitholder and any other person claiming through any of them as if each was a party to this deed.

#### 5 Governing law and jurisdiction

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This deed is governed by the law of New South Wales.

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## Schedule 1

### New Part 27 of the Trust Deed

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#### 27 Trust Scheme

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##### 27.1 Implementation of the Scheme

- (a) Each Scheme Securityholder and the Responsible Entity must do all things and execute all deeds, instruments, transfer or other documents as the Responsible Entity considers are necessary or desirable to give effect to the terms of the Trust Scheme and the transactions contemplated by it.
- (b) Without limiting the Responsible Entity's powers under this clause 27, the Responsible Entity has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Implementation Deed.
- (c) The Trust Scheme is intended to, in a manner consistent with the AGL Scheme, result in the transfer of the Scheme Securities to BidCo in return for the Scheme Consideration being received by the Scheme Securities. If there is any inconsistency between the Trust Scheme and the AGL Scheme, the Responsible Entity is authorised to take, and must take any steps required to implement the Schemes in a manner which is consistent with the AGL Scheme.

##### 27.2 Determination of Scheme Securityholders

To establish the identity and addresses of the Scheme Securityholders, dealings in Stapled Securities and other alterations to the Aveo Securities 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 Aveo Securities Register as the holder of the relevant Stapled Securities on or 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 those alterations, are received on or before the Scheme Record Date at the place where the Aveo Securities Register is kept,

and the Responsible Entity must not accept for registration, nor recognise for any purpose (except a transfer to BidCo pursuant to the Schemes and any subsequent transfer by BidCo 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.

##### 27.3 Register

- (a) The Responsible Entity must register or cause to be registered registrable transmission applications or transfers of the Scheme Securities in accordance with clause 27.2(b) by, or as soon as practicable after, the Scheme Record Date; provided that, for the avoidance of doubt, nothing in this clause 27.3(a) requires the registration of a transfer that would result in a Scheme

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

Schedule 1 New Part 27 of the Trust Deed

Securityholder holding a parcel of Stapled Securities that is less than a 'marketable parcel' (for the purposes of this clause 27.3.2(a) 'marketable parcel' has the meaning given in the Operating Rules).

- (b) If the Trust Scheme becomes Effective, a holder of the Scheme Securities (and any person claiming through that holder) must not dispose of or purport or agree to dispose of, any Scheme Securities or any interest in them after the Scheme Record Date (except a transfer to BidCo pursuant to the Schemes or any subsequent transfer by BidCo or its successors in title).
- (c) For the purpose of determining entitlements to the Scheme Consideration, the Responsible Entity must maintain the Aveo Securities Register in accordance with the provisions of this clause 27.3 until the Scheme Consideration has been paid to the Scheme Securityholders. The Aveo Securities Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Stapled Securities (other than statements of holding in favour of an Excluded Securityholder) will cease to have effect after the Scheme Record Date as documents of title in respect of those Stapled Securities and, as from that date and time, each entry current at that date on the Aveo Securities Register (other than entries on the Aveo Securities Register in respect of BidCo or any Excluded Securityholders) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Stapled Securities 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, AGL and the Responsible Entity will ensure that details of the names, Registered Addresses and holdings of Scheme Securities for each Scheme Securityholder as shown in the Aveo Securities Register are available to BidCo in the form BidCo reasonably requires.

#### 27.4 Scheme Consideration

- (d) The Scheme Consideration in respect of each Scheme Security is either:
  - (1) the Cash Consideration; or
  - (2) the Scrip Consideration.
- (e) Each Scheme Securityholder is entitled to receive either Cash Consideration or Scrip Consideration in respect of each Scheme Security held by that Scheme Securityholder, subject to the terms of the Schemes.

#### 27.5 Election

- (a) A Scheme Securityholder other than an Ineligible Foreign Securityholder, may make an election (**Election**) to receive either Cash Consideration or Scrip Consideration for all of their Scheme Securities by validly completing the Election Form, such Election being subject to the terms of including without limitation clauses 27.5(d), 27.5(m), 27.5(b)(c), 27.8, and 27.10, valid Elections will take effect in accordance with this Scheme.
- (b) TopCo must not issue any TopCo Class B Securities, and AOG L.P. must not issue any AOG L.P. Units under the Schemes in respect of any Ineligible Foreign Securityholder. Accordingly, no Ineligible Foreign Securityholder may make a valid Election to receive the Scrip Consideration, and none of TopCo, BidCo or AOG L.P. is under any obligation to procure the issue of Scrip Consideration to any Ineligible Foreign Shareholder.

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- (c) Subject to clause 27.5(h), for an Election to be valid:
- (1) the Scheme Securityholder must complete and sign the Election Form in accordance with the instructions in the Scheme Booklet and the terms and conditions on the Election Form; and
  - (2) the Election Form must be received by the Aveo Registry before the Election Time at the address specified in the Scheme Booklet and on the Election Form.
- (d) A Scheme Securityholder that makes an Election may vary, withdraw or revoke that Election by lodging a replacement Election Form (such form to be requested from the Aveo Registry), provided such replacement Election Form is received by the Aveo Registry by the Election Time.
- (e) If:
- (1) a valid Election is not made by a Scheme Securityholder
  - (2) the Scheme Securityholder is an Ineligible Foreign Securityholder; or
  - (3) no Election is made by a Scheme Securityholder,
- then that Scheme Securityholder will be deemed to have elected to receive Cash Consideration in respect of all of their Scheme Securities.
- (f) Subject to clause 27.5(h), if a Scheme Securityholder makes a valid Election to receive Scrip Consideration in respect of only some of its Scheme Securities, and makes no Election or an invalid Election in respect of the remainder of its Scheme Securities, the Scheme Securityholder will be deemed to have elected to receive Scrip Consideration in respect of all of its Scheme Securities and not only those Scheme Securities for which the Scheme Securityholder made a valid Election to receive Scrip Consideration.
- (g) Subject to clause 27.5(h), if a Scheme Securityholder makes a valid Election to receive Cash Consideration in respect of only some of its Scheme Securities, and makes no Election or an invalid Election in respect of the remainder of its Scheme Securities, the Scheme Shareholder will be deemed to have elected to receive Cash Consideration in respect of all of its Scheme Securities and not only those Scheme Securities for which the Scheme Securityholder made a valid Election to receive Cash Consideration.
- (h) In the manner considered appropriate by the Responsible Entity and BidCo (acting reasonably including after consultation with the AGL Registry), a Scheme Securityholder who holds one or more parcels of Scheme Securities as trustee or nominee for, or otherwise on account of, another person, may make separate elections to receive either Cash Consideration or Scrip Consideration for all of their Scheme Securities in relation to each of those parcels of Scheme Securities.
- (i) Subject to clauses 27.7(c), 27.3(m), and 27.15, if a Scheme Securityholder makes a valid Election to receive Scrip Consideration, it will receive Scrip Consideration in respect of that Scheme Securityholder's entire registered holding of Scheme Securities at the Scheme Record Date regardless of whether the Scheme Securityholder's holding of Scheme Securities is greater or less than the Scheme Securityholder's holding at the time it made its Election, unless BidCo and the Scheme Securityholder agree otherwise, in their absolute discretion.
- (j) Subject to clauses 27.5(k) and 27.5(l), an Election Form will not be valid unless it is completed and received in accordance with the procedures set out in clause 27.5(c).

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

Schedule 1 New Part 27 of the Trust Deed

- (k) The Responsible Entity will determine, in its sole discretion, all questions as to the correct completion of an Election Form, and time of receipt of an Election Form. The Responsible Entity is not required to communicate with any Scheme Securityholder prior to making this determination. The determination of the Responsible Entity will be final and binding on the Scheme Securityholders.
- (l) Notwithstanding clause 27.3(c), the Responsible Entity may, in its sole discretion but subject to the consent of BidCo, at any time and without further communication to Scheme Securityholder, deem any Election Form it receives from a Scheme Securityholder to be a valid Election in respect of the relevant Scheme Securities, even if a requirement for a valid Election has not been complied with.
- (m) The issue of Scrip Consideration under this Scheme is conditional on valid Elections being made to receive the Scrip Consideration in respect of such number of Stapled Securities that is equal to or greater than the Minimum Scrip Consideration Threshold. All Scheme Securityholders will be deemed to have made a valid Election to receive the Cash Consideration if the Minimum Scrip Consideration Threshold is not met.

#### 27.6 Provision of Cash Consideration

- (a) BidCo must, and TopCo must use its best endeavours to procure that BidCo does, by no later than the Business Day before the Implementation Date, deposit, or procure the deposit, in cleared funds of an amount equal to the aggregate amount of the Cash Consideration payable to all Scheme Securityholders into an Australian dollar denominated trust account, which will be an account held with an Australian authorised deposit-taking institution, operated by AGL as trustee for the Scheme Securityholders (**Trust Account**), (provided that any interest on the amounts deposited (less bank fees and other charges) will be to BidCo's account).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 27.65(a), the Responsible Entity must pay or procure the payment of the Cash Consideration from the Trust Account, to each Scheme Securityholder who:
  - (1) does not make an Election;
  - (2) does not make a valid Election;
  - (3) makes or is deemed to make a valid Election (or otherwise validly elects or is deemed to validly elect pursuant to clause 27.5(c)) to receive Cash Consideration in respect of all (or if permitted pursuant to clause 27.5(g), some of that Scheme Securityholders' Scheme Securities including Ineligible Foreign Shareholders in accordance with clause 27.5(e)(2)); and
  - (4) makes a valid Election to receive Scrip Consideration, to the extent that Scheme Securityholder's Scrip Consideration was scaled back under the Scaleback Arrangements, determined in accordance with the terms of the Schemes.
- (c) The obligations of the Responsible Entity under clause 27.6(b) will be satisfied by AGL (in its absolute discretion, and despite any election referred to in clause 27.6(c)(2) or authority referred to in clause 27.6(c)(2) made or given by the Scheme Securityholder):
  - (1) if a Scheme Securityholder has, before the Scheme Record Date, made a valid Election in accordance with the requirements of the

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Aveo Registry to receive dividend payments from Aveo by electronic funds transfer to a bank account nominated by the Scheme Securityholder, 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 Scheme Securityholder by an appropriate authority from the Scheme Securityholder to Aveo; or
- (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Securityholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Securityholder (or in the case of joint holders, in accordance with the procedures set out in clause 27.5(c)).

To the extent that, following satisfaction of the Responsible Entity's obligations under clause 27.6(c), there is a surplus in the amount held by the Responsible Entity as trustee for the Scheme Securityholders in the Trust Account, that surplus may be paid by AGL to BidCo.

#### 27.7 Provision of Scrip Consideration

- (a) Subject to clause 27.5(m), on or before the Implementation Date, and subject to the Scaleback Arrangements:
  - (1) TopCo must issue the number of TopCo Class B Shares to AOG L.P., that is identical to the number of the AOG L.P. Units that the Scheme Securityholders are entitled to receive as Scrip Consideration in accordance with the Schemes;
  - (2) TopCo must issue a number of TopCo Class B Loan Notes representing an amount in Australian dollars (in aggregate) to AOG L.P., that, in respect of both number and amount in Australian dollars, as a proportion of TopCo Class A Loan Notes on issue or to be issued on the Implementation Date, is equal to the proportion that all TopCo Class B Shares to be issued on the Implementation Date bears to all TopCo Class A Shares on issue at the Implementation Date;
  - (3) AOG L.P. must issue the AOG L.P. Units to which each Scheme Securityholder who is entitled to receive the Scrip Consideration and makes a valid Election, or is otherwise deemed to have validly elected, to receive Scrip Consideration in respect of that Scheme Securityholder's Scheme Securities;
  - (4) on or before the date that is five Business Days after the Implementation Date:
    - (A) TopCo must send, or procure the sending of, a certificate in respect of the TopCo Class B Securities issued under clauses 27.6(a)(1) and (2) to AOG L.P.; and
    - (B) AOG L.P. must send, or procure the sending of, a certificate (or confirmation document) on behalf of AOG L.P. to the Registered Address of each Scheme Shareholder setting out the number of AOG L.P. Units issued to the Scheme Shareholder under this Scheme and the Trust Scheme.

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

Schedule 1 New Part 27 of the Trust Deed

- (b) Each of BidCo and TopCo must ensure that the TopCo Class B Securities issued to AOG L.P. will, at the time they are issued:
- (1) be identical, in aggregate, to such number of AOG L.P. Units required to be issued under the AGL Scheme and the Trust Scheme;
  - (2) subject to the TopCo Shareholders' Deed, in the case of the TopCo Class B Shares, rank equally with all existing shares in TopCo, including TopCo Class A Shares;
  - (3) in the case of the TopCo Class B Loan Notes, rank equally with all existing loan notes in TopCo, including TopCo Class A Loan Notes;
  - (4) be duly and validly issued in accordance with applicable laws and the TopCo Constitution and the TopCo Shareholders' Deed; and
  - (5) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest, or any third party right.
- (c) Each of BidCo and AOG L.P. must ensure that each AOG L.P. Unit issued as Scrip Consideration will, at the time they are issued:
- (1) rank equally in all respects and be the only existing AOG L.P. Units;
  - (2) be duly and validly issued in accordance with applicable laws and the Partnership Agreement and the TopCo Shareholders' Deed; and
  - (3) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest, or any third party right.
- (d) The obligations of BidCo and AOG L.P. to issue AOG L.P. Units to which a Scheme Securityholder is entitled as Scheme Consideration will be satisfied by each of BidCo, the General Partner and TopCo complying with their respective obligations under the AGL Scheme and the Scheme Deed Poll.

#### 27.8 Joint Holders

In the case of Scheme Securities held in joint names:

- (a) subject to 27.8(c), any Cash Consideration payable in respect of those Scheme Securities is payable to the joint holders and any cheque required to be sent under the AGL Scheme and the Trust Scheme will be made payable to the joint holders and sent to either, at the sole discretion of the Responsible Entity, the holder whose name appears first in the Aveo Securities Register as at the Scheme Record Date or to the joint holders;
- (b) any AOG L.P. Units to be issued under the AGL Scheme and the Trust Scheme must be issued to and registered in the names of the joint holders; and
- (c) any other document required to be sent under the AGL Scheme and the Trust Scheme, will be forwarded to either, at the sole discretion of the Responsible Entity, the holder whose name appears first in the Aveo Securities Register as at the Scheme Record Date or to the joint holders.

#### 27.9 Scaleback Arrangements

- (a) If the Aggregate Elected Scrip Consideration Number is less than or equal to the Available Scrip Consideration Number, each Scheme Securityholder who makes a valid Election will receive AOG L.P. Units, the subject of their valid Elections in full, subject to the other conditions in the Schemes.
- (b) If the Aggregate Elected Scrip Consideration Number exceed the Available Scrip Consideration Number, each Scheme Securityholder who is entitled to

receive Scrip Consideration will receive Scrip Consideration in respect of such number of Scheme Securities as is calculated in accordance with the formula below only (**Scaleback Scheme Securities**), and that Scheme Securityholder will receive the Cash Consideration in respect of their remaining Scheme Securities:

Scaleback Scheme Securities =  $A \times (B / C)$

where:

**A** is the number of Stapled Securities the subject of the Scheme Securityholder's valid Election;

**B** is the Available Scrip Consideration Number;

**C** is the Aggregate Elected Scrip Consideration Number; and

If the formula above results in a fractional number of Scaleback Scheme Securities for a Scheme Securityholder, the number of Scaleback Scheme Securities shall be rounded down to the nearest whole number.

#### 27.10 Transfer of Scheme Securities

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 27.6(b), 27.6(c) and 27.7(a)(1) and BidCo having provided Aveo with written confirmation of the provision of the Scheme Consideration, the Scheme Securities, together with all rights and entitlements attaching to the Scheme Securities as at the Implementation Date, must be transferred to BidCo, without the need for any further act by any Scheme Securityholder (other than acts performed by AGL and the Responsible Entity as attorney and agent for Scheme Securityholders under clause 27.14), by:
  - (1) AGL and the Responsible Entity delivering to BidCo a duly completed Scheme Transfer, executed on behalf of the Scheme Securityholders by AGL and the Responsible Entity, for registration; and
  - (2) BidCo duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to AGL and the Responsible Entity for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 27.10(a)(2), but subject to the stamping of the Scheme Transfer (if required), the Responsible Entity must enter, or procure the entry of, the name of BidCo in the Aveo Securities Register in respect of all the Scheme Securities transferred to BidCo in accordance with the Schemes.

#### 27.11 Scheme Securityholders' agreements and warranties

- (a) Each Scheme Securityholder:
  - (1) agrees to the transfer of their Scheme Securities together with all rights and entitlements attaching to those Scheme Securities in accordance with the Schemes;
  - (2) agrees to the variation, cancellation or modification of the rights attached to their Scheme Securities constituted by or resulting from the Schemes;
  - (3) that has made a valid Election in respect of Scrip Consideration:

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

Schedule 1 New Part 27 of the Trust Deed

- (A) agrees to become a limited partner of AOG L.P. and to be bound by the terms of the Partnership Agreement;
- (B) warrants that it holds all required approvals or authorisations necessary to acquire AOG L.P. Units pursuant to the Scheme;;
- (4) who holds their Scheme Securities in a CHES Holding agrees to the conversion of those Scheme Securities to an Issuer Sponsored Holding and irrevocably authorises AGL and the Responsible Entity to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and
- (5) acknowledges and agrees that the Schemes bind AGL, the Responsible Entity and all Scheme Securityholders (including those who do not attend the Scheme Meetings and those who do not vote, or vote against the Schemes, at the Trust Scheme Meetings).
- (b) Each Scheme Securityholder is taken to have warranted to AGL, the Responsible Entity and BidCo on the Implementation Date, and appointed and authorised AGL and the Responsible Entity as its attorney and agent to warrant to BidCo on the Implementation Date, that all their Scheme Securities (including any rights and entitlements attaching to those Securities) which are transferred under Part 27 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 Scheme Securities to BidCo together with any rights and entitlements attaching to those Scheme Securities. The Responsible Entity undertakes that it will provide such warranty to BidCo as agent and attorney of each Scheme Securityholder.

#### 27.12 Title to and rights in Scheme Securities

- (a) To the extent permitted by law, the Scheme Securities (including all rights and entitlements attaching to the Scheme Securities ) transferred under this Part 27 to BidCo will, at the time of transfer of them to BidCo vest in BidCo 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 Securityholder in the manner contemplated by this Part 27, BidCo will be beneficially entitled to the Scheme Securities to be transferred to it under this Trust Scheme pending registration by AGL and the Responsible Entity of BidCo in the Aveo Securities Register as the holder of the Scheme Securities

#### 27.13 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Securityholder in the manner contemplated by 27.6(b), 27.6(c) and 27.7(a)(1), and until BidCo is registered as the holder of all Scheme Securities in the Aveo Securities Register, each Scheme Securityholder:

- (a) is deemed to have appointed BidCo as attorney and agent (and directed BidCo in each such capacity) to appoint any director, officer, secretary or agent

nominated by BidCo as its sole proxy and, where applicable or appropriate, corporate representative to attend Securityholders' meetings, exercise the votes attaching to the Scheme Securities registered in their name and sign any Scheme Securityholders' 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 this clause 27.13(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Securities as BidCo reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 27.13(a), BidCo and any director, officer, secretary or agent nominated by BidCo under clause 27.14 may act in the best interests of BidCo as the intended registered holder of the Scheme Securities.

#### 27.14 Authority given to the Responsible Entity

Each Scheme Securityholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints the Responsible Entity 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 BidCo, TopCo and AOG L.P., and the Responsible Entity undertakes in favour of each Scheme Securityholder that it will enforce the Deed Poll against BidCo on behalf of and as agent and attorney for each Scheme Securityholder; and
- (b) on the Implementation Date, irrevocably appoints the Responsible Entity 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 the Responsible Entity accepts each such appointment. the Responsible Entity as attorney and agent of each Scheme Securityholder, may sub-delegate its functions, authorities or powers under this clause 27.13 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

#### 27.15 Fractional entitlements, splitting

- (a) Where the calculation of the number of AOG L.P. Units to be issued to a particular Scheme Securityholder would result in the Scheme Securityholder becoming entitled to a fraction of an AOG L.P. Unit, then the fractional entitlement will be rounded to the nearest whole number of AOG L.P. Units, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of AOG L.P. Units, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of AOG L.P. Units.
- (b) Where the calculation of the Cash Consideration to be provided to a particular Scheme Securityholder would result in the Scheme Securityholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down (as applicable) to the nearest cent.

#### 27.16 Quotation of Aveo Securities and Status of AOG L.P. Units

- (a) The Responsible Entity must apply to ASX to suspend trading of the Stapled Securities on the ASX with effect from the close of trading on the Effective Date.

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

Schedule 1 New Part 27 of the Trust Deed

- (b) On a date after the Implementation Date to be determined by BidCo, the Responsible Entity will apply:
  - (1) for termination of the official quotation of Stapled Securities on the ASX; and
  - (2) to have itself removed from the official list of the ASX.

#### 27.17 Status of AOG L.P. Units, TopCo Class B Securities and TopCo Class B Loan Notes

Subject to the Schemes becoming Effective:

##### AOG L.P. Units

- (a) AOG L.P. must issue the AOG L.P. Units required to be issued by it under the AGL Scheme and the Trust Scheme on terms such that each such AOG L.P. Units will rank equally and the AOG L.P. Units will be the only existing AOG L.P. Units;
- (b) BidCo and AOG L.P. must ensure that each such AOG L.P. Units is duly and validly issued in accordance with all applicable laws and the AOG Partnership Agreement and the TopCo Shareholders' Deed, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest;

##### TopCo Class B Shares

- (c) TopCo must issue the number of TopCo Class B Shares which (in aggregate) is identical to the number of AOG L.P. Units required to be issued by it under the AGL Scheme and the Trust Scheme on terms such that each such TopCo Class B Securities will rank equally in all respects with each existing shares in TopCo, including each TopCo Class A Share (subject to the terms of the TopCo Shareholders' Deed);
- (d) TopCo will ensure that each such TopCo Class B Security is duly and validly issued in accordance with all applicable laws, the TopCo Constitution and the TopCo Shareholders' Deed, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest;

##### TopCo Class B Loan Notes

- (e) the TopCo Class B Loan Notes will rank equally in all respects with each existing loan note in TopCo;
- (f) at the time they are issued the TopCo Class B Loan Notes will be, as a proportion of the TopCo Class A Loan Notes issued, identical to the proportion that the number of TopCo Class B Shares bears to the TopCo Class A Shares; and
- (g) TopCo will ensure that each such TopCo Class B Loan Note is duly and validly issued in accordance with all applicable laws, the TopCo Constitution and the TopCo Shareholders' Deed, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

#### 27.18 Binding effect of this Part

From the Effective Date:

- (a) this Part 27 binds the Responsible Entity and all of the present and future Scheme Securityholders (including those who did not attend the Trust Scheme Meeting, did not vote at that meeting, or voted against the Trust Scheme



Resolutions) and, to the extent of any inconsistency, overrides any other part of this deed;

- (b) the Responsible Entity and, so far as is relevant, the Scheme Securityholders, must give effect to the Trust Scheme in accordance with its terms;
- (c) the Responsible Entity may amend the terms of the Trust Scheme if such amendment is not inconsistent with the approval given by the Scheme Securityholders under the Trust Scheme Resolutions and this Part 27 shall apply to the Trust Scheme as amended.

**27.19 Consent**

Each of the Scheme Securityholders consents to the Responsible Entity doing all things necessary or incidental to the implementation of the Schemes.

**27.20 Further action**

The Responsible Entity must do all things and execute all documents necessary to give full effect to the Schemes and the transactions contemplated by them.

**27.21 Cessation of operation**

Clause 27 ceases to have any force or operation if the Implementation Deed or Deed Poll is terminated in accordance with its terms.

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

## Schedule 2

### Amendments to clause 1.1 of the Trust Deed

The following new definitions are inserted into the definitions contained in clause 1.1 of the Trust Deed in alphabetical order having regard to the existing definitions:

Unless the contrary intention appears, these meanings apply:

Term	Meaning
<b>Aggregate Elected Scrip Consideration Number</b>	the total number of Scheme Securities the subject of all valid Elections to receive Scrip Consideration.
<b>AGL</b>	Aveo Group Limited ABN 28 010 729 950.
<b>AGL Scheme</b>	the scheme of arrangement under Part 5.1 of the Corporations Act between AGL and the AGL Shareholders, the form of which is attached as Attachment 2 in the Scheme Implementation Deed dated 14 August 2019, 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 BidCo and Aveo.
<b>AGL Scheme Shares</b>	all AGL Shares held by the AGL Shareholders as at the Scheme Record Date.
<b>AGL Share</b>	a fully paid ordinary share in AGL.
<b>AGL Shareholder</b>	each person who is registered as the holder of an AGL Share in the Aveo Securities Register.
<b>AOG L.P.</b>	a Bermudan Limited Partnership of that name, established under the AOG L.P. Partnership Agreement.
<b>AOG L.P. Partnership Agreement</b>	the AOG L.P. partnership agreement entered into between the General Partner and another dated 18 July 2019.
<b>AOG L.P. Units</b>	limited partnership interests represented by units in AOG L.P., issued on the terms specified in the AOG L.P. Partnership Agreement.

Schedule 2 Amendments to clause 1.1 of the Trust Deed

<b>Term</b>	<b>Meaning</b>
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ABN 98 008 624 691, and where the context requires, the financial market that it operates.
<b>Available Scrip Consideration Number</b>	160,623,080 (Stapled Securities).
<b>Aveo</b>	collectively, AGL and the Responsible Entity.
<b>Aveo Group Trust Constitution</b>	the constitution establishing the Aveo Group Trust dated 18 February 2002, as amended on 22 October 2004, 28 October 2004, 16 September 2005, 16 December 2005, 6 July 2009, 24 December 2010 and 1 November 2013.
<b>Aveo Group Trust Supplemental Deed</b>	a deed poll under which the Responsible Entity will amend the Aveo Group Trust Constitution to effect the Trust Scheme.
<b>Aveo Group Trust Unit</b>	a fully paid ordinary unit in the Aveo Group Trust.
<b>Aveo Registry</b>	the corporate registry retained by Aveo.
<b>Aveo Securities Register</b>	the register of members of Aveo maintained in accordance with the Corporations Act.
<b>BidCo</b>	Hydra RL BidCo Pty Ltd ACN 635 013 857.
<b>BidCo Registry</b>	the corporate registry retained by BidCo.
<b>Business Day</b>	a business day as defined in the Listing Rules and which is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, Australia.
<b>Cash Consideration</b>	A\$2.195 for each Scheme Security held by a Scheme Securityholder, less the Aveo Permitted Dividend.
<b>CHES</b>	the Clearing House Electronic Subregister System operated by

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

Schedule 2 Amendments to clause 1.1 of the Trust Deed

Term	Meaning
	ASX Settlement Pty Ltd and ASX Clear Pty Limited.
<b>CHESS Holding</b>	has the meaning given in the Settlement Rules.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Court</b>	the Supreme Court of New South Wales, or such other court of competent jurisdiction under the Corporations Act agreed to in writing by BidCo and Aveo.
<b>Effective Date</b>	is the date on which a copy of this amending deed is lodged with ASIC under section 601GC(2) of the Corporations Act 2001.
<b>Election</b>	has the meaning in clause 5.2(a) of the AGL Scheme.
<b>Election Form</b>	the election form provided with the Scheme Booklet under which each Stapled Securityholder (other than any Excluded Shareholder) is requested to elect to receive either the Scrip Consideration or the Cash Consideration in respect of all of their Stapled Securities.
<b>Election Time</b>	5.00pm on the date that is eight clear Business Days before the date of the Trust Scheme Meeting, or such other date as agreed by the BidCo and Aveo in writing.
<b>Excluded Securityholder</b>	any Stapled Securityholder who is a member of the BidCo Group or any Stapled Securityholder who holds any Stapled Securities on behalf of, or for the benefit of, any member of the BidCo Group and does not hold Stapled Securities on behalf of, or for the benefit of, any other person.
<b>General Partner</b>	AOG GP Limited, a Bermuda exempted company and the general partner of AOG LP.
<b>Government Agency</b>	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.

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## Schedule 2 Amendments to clause 1.1 of the Trust Deed

Term	Meaning
<b>Implementation Date</b>	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by AGL and BidCo.
<b>Implementation Deed</b>	the implementation deed dated 14 August 2019 between Aveo and BidCo, TopCo and AOG L.P. relating to the implementation of the Schemes.
<b>Ineligible Foreign Securityholder</b>	a Scheme Securityholder whose address in the Aveo Securities Register as at the Scheme Record Date is a place outside Australia, New Zealand, Bermuda, British Virgin Islands, or Malaysia, unless BidCo and Aveo agree in writing that it is lawful and not unduly onerous or impractical to issue AOG L.P. Units to that Scheme Securityholder if the Scheme Securityholder so elects under the Schemes.
<b>Issuer Sponsored Holding</b>	has the meaning given in the Settlement Rules.
<b>Listing Rules</b>	the official listing rules of ASX.
<b>Minimum Scrip Consideration Threshold</b>	valid Elections made for the Scrip Consideration in respect of 58,073,767 Stapled Securities.
<b>Registered Address</b>	in relation to a Stapled Securityholder, the address shown in the Aveo Securities Register as at the Scheme Record Date.
<b>Scaleback Arrangements</b>	has the meaning specified in clause 27.9.
<b>Scaleback Scrip Consideration</b>	has the meaning specified in clause 27.9.
<b>Scheme Consideration</b>	for each Stapled Security held by a Scheme Securityholder as at the Scheme Record Date; <ul style="list-style-type: none"> <li>• the Cash Consideration; or</li> <li>• the Scrip Consideration,</li> </ul> subject to the terms of the Schemes.

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

#### Schedule 2 Amendments to clause 1.1 of the Trust Deed

Term	Meaning
<b>Scheme Deed Poll</b>	the deed poll under which each of BidCo, AOG L.P. and TopCo covenants in favour of the Scheme Securityholders to perform the obligations attributed to BidCo, AOG L.P. and TopCo under the Schemes.
<b>Scheme Record Date</b>	7.00pm on the fifth Business Day after the Effective Date, or such other Business Day after the Effective Date as may be agreed to in writing by BidCo and Aveo.
<b>Scheme Security</b>	an AGL Share stapled to Aveo Group Trust Unit as at the Scheme Record Date.
<b>Scheme Securityholder</b>	each person who is registered as the holder of a Stapled Security in the Aveo Securities Register as at the Scheme Record Date other than an Excluded Securityholder.
<b>Scheme Transfer</b>	a duly completed and executed proper instrument of transfer in respect of the Scheme Securities for the purposes of section 1071B of the Corporations Act, in favour of BidCo as transferee, which may be a master transfer of all or part of the Scheme Securities.
<b>Schemes</b>	the Trust Scheme and the AGL Scheme.
<b>Scrip Consideration</b>	2.15 AOG L.P. units for one Stapled Security.
<b>Scrip Participant</b>	Trust Unitholder who has made a valid Election to receive Scrip Consideration.
<b>Settlement Rules</b>	ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.
<b>Stapled Security</b>	a fully paid ordinary share in the capital of AGL stapled to an Aveo Group Trust Unit.
<b>Stapled Securityholder</b>	each person who is registered as the holder of a Stapled Security in the Aveo Securities Register.
<b>Subsidiary</b>	has the meaning given in Division 6 of Part 1.2 of the Corporations Act, provided that an entity will also be taken to be a Subsidiary of another entity if it is Controlled by that entity and, without limitation:

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Schedule 2 Amendments to clause 1.1 of the Trust Deed

Term	Meaning
	<p>3 a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share;</p> <p>4 an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and</p> <p>5 an entity will also be deemed to be a Subsidiary of an entity if that entity is required by the accounting standards to be consolidated with that entity.</p>
<b>TopCo</b>	Hydra RL TopCo Pty Ltd ACN 635 012 323.
<b>TopCo Class B Loan Note</b>	a "Class B Note" as defined in the TopCo Shareholders' Deed.
<b>TopCo Class B Securities</b>	the TopCo Class B Shares and the TopCo Class B Loan Notes.
<b>TopCo Class B Share</b>	a "Class B Share" as defined in the TopCo Shareholders' Deed.
<b>TopCo Constitution</b>	the constitution in relation to TopCo to be adopted by TopCo, in substantially the form agreed between Aveo and BidCo.
<b>TopCo Shareholders' Deed</b>	the shareholders deed in relation to TopCo to be adopted by TopCo, in substantially the form agreed between Aveo and BidCo.
<b>Trust</b>	Aveo Group Trust ARSN 099 648 754.
<b>Trust Account</b>	has the meaning set out in clause 27.6(a).
<b>Trust Scheme</b>	an arrangement under which BidCo acquires all of the Aveo Group Trust Units from Trust Scheme Participants facilitated by amendments to the Aveo Group Trust Constitution as set out in Schedule 1 of this deed, subject to the requisite approvals of the Trust Unitholders.
<b>Trust Scheme Meeting</b>	meeting of the Trust Unitholders convened by the Responsible Entity to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.
<b>Trust Scheme</b>	each person registered in the Aveo Securities Register as a holder

# ANNEXURE C

## AVEO GROUP TRUST

### SUPPLEMENTAL DEED CONT

#### Schedule 2 Amendments to clause 1.1 of the Trust Deed

<b>Term</b>	<b>Meaning</b>
<b>Participants</b>	of Trust Scheme Units as at the Scheme Record Date.
<b>Trust Scheme Resolutions</b>	the resolutions to approve the Trust Scheme including: 6 a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the Aveo Group Trust Constitution as set out in the Aveo Group Trust Supplemental Deed; and 7 a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the Trust Units by the Responsible Entity.
<b>Trust Scheme Unit</b>	Aveo Group Trust Unit as at the Scheme Record Date.
<b>Trust Unitholder</b>	a person who is registered in the Aveo Securities Register as holder of the Aveo Group Trust Units.

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Signing page

Executed as a deed

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Signed sealed and delivered for  
**Aveo Funds Management Limited**  
by its/their attorneys

sign here ► \_\_\_\_\_  
Attorney

print name \_\_\_\_\_

in the presence of

sign here ► \_\_\_\_\_  
Witness

print name \_\_\_\_\_

# ANNEXURE D SCHEME DEED POLL



HERBERT  
SMITH  
FREEHILLS

Deed

## Scheme deed poll

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Hydra RL BidCo Pty Ltd

Hydra RL TopCo Pty Ltd

AOG L.P.

ANZ Tower 161 Castlereagh Street Sydney NSW 2000 Australia  
GPO Box 4227 Sydney NSW 2001 Australia

T +61 2 9225 5000 F +61 2 9322 4000  
herbertsmithfreehills.com DX 361 Sydney



HERBERT  
SMITH  
FREEHILLS

### Scheme deed poll

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Date ► 24 September 2019

This deed poll is made

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By AOG L.P. acting through its general partner AOG GP Limited  
(**AOG L.P.**)  
of Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda  
and  
Hydra RL BidCo Pty Ltd (ACN 635 013 857) of Level 22, 135 King  
Street, SYDNEY NSW 2000  
(**BidCo**)  
and  
Hydra RL TopCo Pty Ltd (ACN 635 012 323) of Level 22, 135 King  
Street, SYDNEY NSW 2000  
(**TopCo**)

in favour of Aveo Group Limited, Aveo Funds Management Limited as  
responsible entity of the Aveo Group Trust and each Aveo  
Securityholder as at the Scheme Record Date (other than the  
Excluded Securityholders).  
(Aveo Group Limited and Aveo Funds RE being collectively, **Aveo**)

Recitals

- 1 Aveo, AOG L.P., BidCo and TopCo entered into the Implementation Deed.
- 2 In the Implementation Deed, each of AOG L.P., BidCo and TopCo agreed to make this deed poll.
- 3 Each of AOG L.P., BidCo and TopCo is making this deed poll for the purpose of covenanting in favour of the Scheme Securityholders to perform their obligations under the Implementation Deed and the Schemes.

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This deed poll provides as follows:

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# ANNEXURE D

## SCHEME DEED POLL CONT



HERBERT  
SMITH  
FREEHILLS

1 Definitions and interpretation

## 1 Definitions and interpretation

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### 1.1 Definitions

- (a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
<b>First Court Date</b>	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.
<b>Implementation Deed</b>	the scheme implementation deed entered into between Aveo, BidCo, TopCo and AOG L.P. dated 14 August 2019.
<b>Schemes</b>	the AGL Scheme and the Trust Scheme.

- (b) Unless the context otherwise requires, terms defined in the Schemes have the same meaning when used in this deed poll.

### 1.2 Interpretation

Sections 2, 3 and 4 of Schedule 1 of the AGL 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

Each of AOG L.P., BidCo and TopCo acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Securityholder in accordance with its terms even though the Scheme Securityholders are not party to it; and
- (b) under the Schemes, each Scheme Securityholder irrevocably appoints Aveo 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 each of AOG L.P., BidCo and TopCo.

## 2 Conditions to obligations

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### 2.1 Conditions

This deed poll and the obligations of AOG L.P., BidCo and TopCo under this deed poll are subject to the Schemes becoming Effective.



## 2.2 Termination

The obligations of AOG L.P., BidCo and TopCo under this deed poll to the Scheme Securityholders 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;
- (b) the Schemes are not Effective on or before the End Date,

unless AOG L.P., BidCo and TopCo and Aveo otherwise agree in writing.

## 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) each of AOG L.P., BidCo and TopCo is released from their obligations to further perform this deed poll except those obligations under clause 5.1; and
- (b) each Scheme Securityholder retains the rights they have against BidCo, TopCo and AOG L.P. in respect of any breach of this deed poll which occurred before it was terminated.

## 3 Schemes obligations

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### 3.1 Undertaking to pay and issue Scheme Consideration

Subject to clause 2 and the terms of the Schemes:

- (a) each of AOG L.P., BidCo and TopCo undertakes in favour of each Scheme Shareholder to:
  - (1) do all things that it is required to do under each of the Schemes; and
  - (1) undertake all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Schemes;
- (b) BidCo undertakes in favour of each Scheme Securityholder to deposit, or procure the deposit of, in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Cash Consideration payable to all Scheme Shareholders under the Schemes into the Trust Account as trustee for the Scheme Securityholders, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to BidCo's account; and
- (c) on the Implementation Date, subject to the Scaleback Arrangements:
  - (1) AOG L.P. undertakes in favour of each Scheme Securityholder to provide, or procure the provision of, the Scrip Consideration to each Scheme Securityholder (if any); and
  - (2) TopCo undertakes in favour of each Scheme Securityholder to issue the TopCo Class B Securities to AOG L.P. (if any) in accordance with the terms of the Schemes,

each in accordance with the terms of the Schemes.

# ANNEXURE D

## SCHEME DEED POLL CONT



HERBERT  
SMITH  
FREEHILLS

3 Schemes obligations

### 3.2 Scrip Consideration to rank equally

- (b) Each of AOG L.P. and BidCo covenants in favour of each Scheme Securityholder that the AOG L.P. Units issued in accordance with the Schemes will, at the time they are issued:
  - (1) rank equally in all respects and be the only existing AOG L.P. Units;
  - (2) be duly and validly issued in accordance with all applicable laws and the AOG Partnership Agreement and the TopCo Shareholders' Agreement; and
  - (3) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.
- (c) Each of BidCo and TopCo covenants in favour of each Scheme Securityholder that the TopCo Class B Shares issued in accordance with the Schemes will, at the time they are issued:
  - (1) be identical to the number of AOG L.P. Units required to be issued by it under the Schemes;
  - (2) subject to the terms of the TopCo Shareholders' Agreement, rank equally in all respects with each share in TopCo and each TopCo Class A Share;
  - (3) be duly and validly issued in accordance with all applicable laws and the TopCo Shareholders' Agreement; and
  - (4) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.
- (d) Each of BidCo and TopCo covenants in favour of each Scheme Securityholder that the TopCo Class B Loan Notes issued in accordance with the Schemes will, at the time they are issued:
  - (1) be, as a proportion of the TopCo Class A Loan Notes issued, identical to the proportion that the number of TopCo Class B Shares bears to the TopCo Class A Shares;
  - (2) rank equally in all respects with each loan note issued by TopCo and each TopCo Class A Loan Note;
  - (3) be duly and validly issued in accordance with all applicable laws and the TopCo Shareholders' Agreement and the TopCo Constitution; and
  - (4) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

### 3.3 General warranties

Each of BidCo, AOG L.P. and TopCo represents and warrants in favour of each Scheme Securityholder, in respect of itself, that:

- (a) it is validly existing under the laws of its place of registration;
- (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;

page 5

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- (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.

## 4 Continuing obligations

---

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) each of AOG L.P., BidCo and TopCo has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

## 5 General

---

### 5.1 Stamp duty

BidCo:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Schemes and this deed poll, the performance of this deed poll and each transaction effected by or made under or in connection with the Schemes and this deed poll; and
- (b) indemnifies each Scheme Securityholder against any liability arising from failure to comply with clause 5.1(a).

### 5.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in New South Wales.
- (b) Each of BidCo, AOG L.P. and TopCo irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Each of BidCo, AOG L.P. and TopCo 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.

### 5.3 Waiver

- (a) Each of BidCo, AOG L.P. and TopCo may not rely on the words or conduct of any Scheme Securityholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Securityholder granting the waiver.
- (b) No Scheme Securityholder may rely on words or conduct of BidCo, AOG L.P. or TopCo as a waiver of any right unless the waiver is in writing and signed by BidCo, AOG L.P. or TopCo, as appropriate.
- (c) The meanings of the terms used in this clause 5.3 are set out below.

# ANNEXURE D

## SCHEME DEED POLL CONT



HERBERT  
SMITH  
FREEHILLS

5 General

Term	Meaning
<b>conduct</b>	includes delay in the exercise of a right.
<b>right</b>	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
<b>waiver</b>	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

#### 5.4 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 Aveo; or
- (b) if on or after the First Court Date, the variation is agreed to by Aveo and the Court indicates that the variation would not of itself preclude approval of the Schemes,

in which event each of BidCo, AOG L.P. and TopCo will enter into a further deed poll in favour of the Scheme Securityholders giving effect to the variation.

#### 5.5 Cumulative rights

The rights, powers and remedies of BidCo, AOG L.P., TopCo and the Scheme Securityholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

#### 5.6 Assignment

- (a) The rights created by this deed poll are personal to each of BidCo, AOG L.P. and TopCo and each Scheme Securityholder and must not be dealt with at law or in equity without the prior written consent of BidCo, AOG L.P. and TopCo .
- (b) Any purported dealing in contravention of clause 5.6(a) is invalid.

#### 5.7 Further action

Each of BidCo, AOG L.P. and TopCo 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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HERBERT SMITH FREEHILLS

Signing page

Executed as a deed poll

Hydra RL BidCo Pty Ltd

Signed sealed and delivered by Hydra RL BidCo Pty Ltd by

sign here [Signature] Company Secretary/Director sign here [Signature] Director print name Shane Ross print name Nicholas Britten-Jones

AOG L.P.

Signed and delivered by AOG L.P. by AOG GP Limited as general partner of AOG L.P. by

sign here [Signature] Director print name M. JONESAN AMISSAH

Hydra RL TopCo Pty Ltd

Signed sealed and delivered by Hydra RL TopCo Pty Ltd by

sign here [Signature] Company Secretary/Director sign here [Signature] Director print name Shane Ross print name Nicholas Britten-Jones

# ANNEXURE E TOPCO SHAREHOLDERS' DEED

Allens > Linklaters

BSREP III Australia Sub GP Pty Ltd as general partner of BSREP III Australia Sub Limited Partnership

BSREP III Bermuda GP of GP Limited as general partner of BSREP III Bermuda GP L.P. as general partner of BSREP III Hydra Bermuda Sub Brookfield L.P.

BSREP III Bermuda GP of GP Limited as general partner of BSREP III Bermuda GP L.P. as general partner of BSREP III Hydra Bermuda Sub L.P.

BSREP III Bermuda GP of GP Limited as general partner of BSREP III Bermuda GP L.P. as general partner of BSREP III Hydra Bermuda Sub-B L.P.

Hydra RL TopCo Pty Ltd

## Shareholders' Deed

Hydra RL TopCo Pty Ltd

EXECUTION VERSION

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Shareholders' Deed

Allens < Linklaters

This Deed is made on \_\_\_\_ September 2019

#### Parties

- 1 **BSREP III Australia Sub GP Pty Ltd** (ACN 630 675 491) as general partner of **BSREP III Australia Sub Limited Partnership** of Level 22, 135 King Street, Sydney NSW 2000 (**BSREP III Australia Sub L.P.**);
- 2 **BSREP III Bermuda GP of GP Limited** as general partner of **BSREP III Bermuda GP L.P.** as general partner of **BSREP III Hydra Bermuda Sub Brookfield L.P.** of 73 Front Street, Hamilton HM 12, Bermuda (**BSREP III Hydra Bermuda Sub Brookfield L.P.**);
- 3 **BSREP III Bermuda GP of GP Limited** as general partner of **BSREP III Bermuda GP L.P.** as general partner of **BSREP III Hydra Bermuda Sub L.P.** of 73 Front Street, Hamilton HM 12, Bermuda (**BSREP III Hydra Bermuda Sub L.P.**);
- 4 **BSREP III Bermuda GP of GP Limited** as general partner of **BSREP III Bermuda GP L.P.** as general partner of **BSREP III Hydra Bermuda Sub-B L.P.** of 73 Front Street, Hamilton HM 12, Bermuda (**BSREP III Hydra Bermuda Sub-B L.P.**),

(BSREP III Australia Sub L.P., BSREP III Hydra Bermuda Sub Brookfield L.P., BSREP III Hydra Bermuda Sub L.P. and BSREP III Hydra Bermuda Sub-B L.P. together being the **Brookfield Securityholders**); and

- 5 **Hydra RL TopCo Pty Ltd** (ACN 635 012 323) of Level 22, 135 King Street, Sydney NSW 2000 (the **Company**).

#### Recitals

- A As at the date of this Deed, the Brookfield Securityholders hold 100% of the Securities in the Company. The Securities held by Brookfield are Class A Securities.
- B Brookfield intends for the Company to (through an indirect wholly owned Subsidiary) acquire and hold 100% of the Target Securities by way of scheme of arrangement under Part 5.1 of the Corporations Act (**Scheme**) and amendments to the Aveo Group Trust Constitution (**Trust Scheme**).
- C Following entry into this Deed and prior to the Schemes becoming effective, the Brookfield Securityholders will subscribe for additional Class A1 Shares and Class A1 Notes.
- D The consideration offered to securityholders of the Target under the Schemes includes AOG L.P. B1 Units. For every AOG L.P. B1 Unit issued to securityholders of the Target, a Class B1 Share will be issued to AOG L.P..
- E This Deed sets out provisions which regulate the holdings of Securityholders and the management, control and financing of the Group.

It is agreed as follows.

### 1 Definitions and Interpretation

#### 1.1 Definitions

The following definitions apply unless the context requires otherwise.

**A1/B1 Note Proportion** has the meaning given in clause 2.4(a)(ii).

**A1/B1 Share Proportion** has the meaning given in clause 2.4(a)(i).

# ANNEXURE E

## TOPCO SHAREHOLDERS' DEED CONT

Shareholders' Deed

Allens > < Linklaters

**Accepting Securityholder** has the meaning given in clause 15.4(b).

**Accession Deed** means a deed poll of accession in the form set out in Schedule 3.

**Affiliate** means:

- (a) in respect of a person (including a Brookfield Securityholder), their Related Entities; and
- (b) in respect of a Brookfield Securityholder or any person who becomes a Securityholder pursuant to clause 14.2(a), also includes any:
  - (i) other Brookfield Securityholder;
  - (ii) trust, managed investment scheme, partnership, body corporate, account or investment portfolio or other fund or entity established and Controlled by BAM or any person who is an Affiliate of BAM under paragraph (a), (b)(i) or (b)(iii) of this definition;
  - (iii) trust, managed investment scheme, partnership, body corporate, account or investment portfolio or other fund or entity for which Brookfield or any person who is an Affiliate of BAM under paragraph (a), (b)(i) or (b)(ii) of this definition acts as sponsor, investment adviser or manager with respect to which Brookfield or any person who is an Affiliate of BAM under paragraph (a), (b)(i) or (b)(ii) of this definition exercises discretionary control or otherwise has the ability to direct or control investment decisions, vote on behalf of or take any other action on behalf of, including where such rights are contractual by nature; and
  - (iv) holders of securities or other interests in any such trust, managed investment scheme, partnership, body corporate, account or investment portfolio or other fund or entity described in this definition.

**Aggrieved Shareholder** has the meaning given in clause 18.1(b)(i) or 18.1(b)(ii), as applicable.

**AGL** means Aveo Group Limited (ACN 010 729 950).

**Agreed Loan Terms** means the terms set out in the loan note deed poll in the form set out in Schedule 4.

**AGT** means Aveo Group Trust (ARSN 099 648 754).

**Anti-Bribery and Corruption Law** means:

- (a) the *Foreign Corrupt Practices Act of 1977* (US);
- (b) the *Bribery Act 2010* (UK);
- (c) the *Criminal Code Act 1995* (Cth); and
- (d) any similar law to those set out in paragraphs (a) to (c) of this definition that has as its objective the prevention of corruption, including legislation enacted in furtherance of the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions 1997.

**Anti-Money Laundering Law** means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth), the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007* (No. 1) and any similar law that has as its objective the prevention of money laundering or the financing of terrorism-related activities.

**AOG L.P.** means AOG GP Limited as general partner of AOG L.P., a limited partnership.

**AOG L.P. Agreement** means the 'First Amended and Restated Limited Partnership Agreement of AOG L.P.' dated on or about the date of this Deed, as amended from time to time.

**AOG L.P. Limited Partner** means a holder of AOG L.P. Units.



**AOG L.P. B2 Note** means a Limited Partnership B2 Note issued by AOG L.P. pursuant to the terms of the AOG L.P. Agreement.

**AOG L.P. Unit** means a limited partnership unit in the capital of AOG L.P., being either an AOG L.P. B1 Unit or an AOG L.P. B2 Unit.

**Application Notice** has the meaning given in clause 12.2(a)(v).

**Applying Securityholder** has the meaning given in clause 12.2(d).

**Audited Financial Statements** means the audited consolidated profit and loss account, consolidated balance sheet and statement of cash flow required to be prepared in accordance with clause 9.1.

**Auditor** means the auditor of the Group approved by the Board from time to time.

**BAM** means Brookfield Asset Management Inc. (NYSE: BAM / TSX: BAM.A).

**Board** means all or some of the Directors acting as the board of the Company.

**Board Reserved Matters** has the meaning given in clause 3.2(b) and includes all of the matters set out in Schedule 2.

**Brookfield** means the Brookfield Securityholders, and any of their Affiliates who hold Securities, from time to time.

**Brookfield Representative** means, in respect of each Brookfield Securityholder, the person or persons nominated by notice to the Company by the Brookfield Securityholder to be that Brookfield Securityholder's representative for the purposes of clause 8.

**Business** means the business of the Group.

**Business Day** means a day other than a Saturday, Sunday or public holiday in Sydney, Australia; New York, USA; or Hamilton, Bermuda.

**Buyer** means a buyer (or a proposed buyer) of Securities who is a Third Party in relation to the seller (or proposed seller) of those Securities.

**Chairman** means the person appointed as chairman of the Board under clause 4.3 of this Deed.

**Change of Control** means that:

- (a) a person or persons that have Control of a Securityholder or AOG L.P. Limited Partner cease to have Control of that Securityholder or AOG L.P. Limited Partner (as applicable); or
- (b) a person or persons that do not have Control of a Securityholder or AOG L.P. Limited Partner gain Control of that Securityholder or AOG L.P. Limited Partner (as applicable),

provided that a Change of Control will not arise as a result of:

- (c) a transfer of securities that are quoted on a recognised public securities exchange;
- (d) where an entity is the trustee, general partner or manager of a Fund and there is a change to the:
  - (i) trustee or general partner, but no change, directly or indirectly, in the legal or beneficial ownership of securities in that Fund and the trustee or general partner of that Fund is under a legal obligation to act in that capacity only for the benefit of the owners of those securities (except that the trustee or general partner may be paid a fee in relation to their services to the Fund); or
  - (ii) manager, provided that the new manager is an Affiliate of BAM;

# ANNEXURE E

## TOPCO SHAREHOLDERS' DEED CONT

### Shareholders' Deed

Allens < Linklaters

- (e) a Change in Control of the general partner of AOG L.P. unless AOG L.P. Limited Partners holding more than 50% of the AOG L.P. Units have caused the change in Control;
- (f) a change in the general partner of AOG L.P. with the consent of the Company, such consent not to be unreasonably withheld where it is caused by AOG L.P. Limited Partners due to a failure of the general partner to comply with the terms of this Agreement or the AOG L.P. Agreement;
- (g) where there is merely the appointment, removal or replacement of the custodian, sub-custodian or custodial nominee of any entity; or
- (h) a Transfer of Securities where:
  - (i) a Securityholder has complied with the right of first refusal procedure in clause 15;
  - (ii) following compliance with the right of first refusal procedure:
    - (A) the Securityholder would be entitled to Transfer some or all of their remaining Securities; or
    - (B) an AOG L.P. Limited Partner would be entitled to Transfer some or all of their remaining AOG L.P. Units; and
  - (iii) the Transfer is a Transfer of all of the securities in an entity that:
    - (A) directly or indirectly Controls the relevant Securityholder or AOG L.P. Limited Partner; and
    - (B) has no direct or indirect material assets other than Securities, to a Third Party in accordance with and on equivalent terms that would be permitted under clause 15.7 (if the Transfer was a Transfer of Securities) or under the AOG L.P. Agreement (if the Transfer was a Transfer of AOG L.P. Units), as applicable.

**Claim** means any allegation, debt, cause of action, liability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent whether at law, in equity, under statute or otherwise.

**Class A Director** means a Director appointed by the Class A Shareholders pursuant to clause 4.2(a).

**Class A Note** means a Class A1 Note or a Class A2 Note.

**Class A Noteholder** means a Securityholder who holds Class A Notes.

**Class A Securities** means Class A Shares or Class A Notes.

**Class A Securityholder** means a Securityholder who holds Class A Securities.

**Class A Share** means a Class A1 Share or a Class A2 Share.

**Class A Shareholder** means a Shareholder who holds Class A Shares.

**Class A1 Note** means a loan note issued by the Company to a Securityholder in accordance with this Deed and on the Agreed Loan Terms which is designated as a Class A1 Note.

**Class A1 Share** means a Share which is designated as a Class A1 Share and has the rights set out in this Deed and the Constitution.

**Class A2 Note** means a loan note issued by the Company to a Securityholder in accordance with this Deed and on the Agreed Loan Terms which is designated as a Class A2 Note.

**Class A2 Share** means a Share which is designated as a Class A2 Share and has the rights set out in this Deed and the Constitution.

**Class B Director** means a Director appointed by the Class B Shareholders pursuant to clause 4.2(b).

**Class B Note** means a Class B1 Note or a Class B2 Note.

**Class B Noteholder** means a Securityholder who holds Class B Notes.

**Class B Securities** means Class B Shares or Class B Notes.

**Class B Securityholder** means a Securityholder who holds Class B Securities.

**Class B Share** means a Class B1 Share or a Class B2 Share.

**Class B Shareholder** means a Shareholder who holds Class B Shares.

**Class B1 Note** means a loan note issued by the Company to a Securityholder in accordance with this Deed and on the Agreed Loan Terms which is designated as a Class B1 Note.

**Class B1 Share** means a Share which is designated as a Class B1 Share and has the rights set out in this Deed and the Constitution.

**Class B2 Note** means a loan note issued by the Company to a Securityholder in accordance with this Deed and on the Agreed Loan Terms which is designated as a Class B2 Note.

**Class B2 Share** means a Share which is designated as a Class B2 Share and has the rights set out in this Deed and the Constitution.

**Competitor** means, from time to time, any person who:

- (a) owns, operates or is materially involved with a business in Australia or any other country in which the Target group operates (at the date of this Deed) involving the development, ownership, operation or provision of retirement living or aged care accommodation;
- (b) is an Affiliate of a person described in paragraph (a) of this definition;
- (c) is a person in whom a person described in paragraph (a) of this definition has an interest; or
- (d) has an interest in a person described in paragraphs (a), (b) or (c) of this definition, but excluding any such person that a majority of the Class A Securityholders may determine, in their absolute discretion, is not a Competitor.

**Compulsory Transfer Event** means:

- (a) in the case of a Securityholder:
  - (i) an Insolvency Event has occurred in respect of it (without written approval of the Board);
  - (ii) a Change of Control has occurred in respect of it (without written approval of the Board); or
  - (iii) it has committed a Material Default,
 provided that in respect of AOG L.P., if the Insolvency Event, Change of Control or Material Default is caused by conduct of:
  - (iv) one or more AOG L.P. Limited Partners, the Compulsory Transfer Event will only be taken to arise in respect of the Proportionate Class B Securities of those AOG L.P. Limited Partners and not with respect to, or have any consequences in relation to, the Proportionate Class B Securities of any other AOG L.P. Limited Partner; and

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- (v) the general partner of AOG L.P. and which was not caused by the conduct of any AOG L.P. Limited Partners, a Compulsory Transfer Event will only be taken to arise if AOG L.P. Limited Partners holding more than 50% of the AOG L.P. Units then on issue do not promptly, following notice of the relevant Insolvency Event, Change of Control or Material Default from the Company or other Securityholder, use reasonable endeavours to take such actions as are necessary to require the general partner to remedy the Insolvency Event, Change of Control or Material Default, including enforcing their rights under the AOG L.P. Agreement and other legal rights. For the avoidance of doubt, for the purposes of this paragraph (v), an obligation to use reasonable endeavours will not include an obligation to commence legal proceedings against the general partner or pay money in the form of consideration to a third party to procure the general partner to remedy the Insolvency Event, Change of Control or Material Default (other than the payment of immaterial expenses or costs); and
- (b) in the case of AOG L.P. also means:
- (i) an Insolvency Event has occurred in respect of an AOG L.P. Limited Partner; or
  - (ii) a Change of Control has occurred in respect of an AOG L.P. Limited Partner,
- provided that the Compulsory Transfer Event will only be taken to arise in respect of the Proportionate Class B Securities of that AOG L.P. Limited Partner and not with respect to, or have any consequences in relation to, the Proportionate Class B Securities of any other AOG L.P. Limited Partner,

and in each case where the Insolvency Event, Change of Control or Material Default (other than a Material Default that involves a breach of any Anti-Bribery and Corruption Law or any Anti-Money Laundering Law) is not capable of remedy, or remains unremedied for 20 Business Days (or any longer period determined by the Board) following notice of the relevant Insolvency Event, Change of Control or Material Default from the Company or other Securityholder.

**Compulsory Transfer Notice** means a notice of the kind described in clause 18.4(b)(i)(A).

**Compulsory Transfer Offer Period** has the meaning given in clause 18.4(b)(iv).

**Compulsory Transfer Price** has the meaning given in clause 18.4(b)(iii)(A).

**Compulsory Transfer Securities** has the meaning given in clause 18.4(b)(iii)(A).

**Confidential Information** means all confidential information exchanged between the Company and/or the Securityholders relating to the Business or other affairs of the Group or the Securityholders, including the terms of this Deed, but excludes any information that:

- (a) is in, or becomes part of, the public domain other than through breach of this Deed or an obligation of confidence owed to a Group Company;
- (b) was already known to a party at the time of disclosure by the Company or a Securityholder, other than as a result of a breach of an obligation of confidentiality; or
- (c) a party acquires from a source other than the Company or a Securityholder, where the source is entitled to disclose it.

**Constitution** means the constitution of the Company from time to time.

**Control** has the meaning given in section 50AA of the Corporations Act and:

- (a) in the case of a corporation, includes the power (whether it is legally enforceable or not) to control, whether directly or indirectly, the composition of a majority of the board of directors of that corporation or the voting rights of the majority of the voting shares of the corporation;

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- (b) in the case of a trust or partnership, includes the power (whether it is legally enforceable or not) to control, whether directly or indirectly, the appointment or removal of the trustee of the trust or general partner of the partnership, the composition of a majority of the board of directors of the trustee or general partner or the voting rights of the majority of the securities of the trust or partnership; and
- (c) in the case of a limited partnership, a general partner is deemed to Control the limited partnership of which it is the general partner,

and **Controlled** has a corresponding meaning.

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

**Deal with** when used with respect to an item of property (including Securities), includes sell, offer for sale, dispose, transfer, deal with, assign, alienate the right to exercise the votes attached to, or decrease any economic interest in, or grant any Encumbrance, trust, option or other right in relation to the whole of any part of the item of property and agreeing to do any of those things or granting an option or making an offer that permits a person to require the doing of any of those things, and **Dealing** has a corresponding meaning.

**Default Period** means, in respect of a Defaulting Securityholder or a Defaulting AOG L.P. Limited Partner, the period commencing on the date on which a Defaulting Securityholder Notice or a Defaulting AOG L.P. Limited Partner Notice is given in respect of the Defaulting Securityholder or Defaulting AOG L.P. Limited Partner and ending on the date on which the procedures contemplated by clause 18.4 have concluded.

**Defaulting AOG L.P. Limited Partner** has the meaning given in clause 18.1(a).

**Defaulting AOG L.P. Limited Partner Notice** has the meaning given in clause 18.1(b)(ii).

**Defaulting Securityholder** has the meaning given in clause 18.1(a).

**Defaulting Securityholder Notice** has the meaning given in clause 18.1(b)(i).

**Directors** means all or some of the directors of the Company from time to time.

**Dividend** means a dividend declared and includes a bonus or other distribution in kind or in cash.

**Drag Notice** means a notice given in accordance with clause 16.2.

**Drag Price** has the meaning given in clause 16.2(d).

**Drag Proportion** has the meaning given in clause 16.2(c).

**Drag Sale Terms** has the meaning given in clause 16.2(d).

**Dragged Securities** has the meaning given in clause 16.2(e).

**Encumbrance** means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, Claim, covenant, profit à prendre, easement or any other security arrangement or any other arrangement having the same effect or any agreement to create any of them.

**Established Business** means the Group's developed revenue generating retirement communities and aged care villages.

**Exit** means:

- (a) a Trade Sale; or
- (b) an IPO.

**Exit Notice** has the meaning given in clause 13.1.

**Exiting Securityholders** has the meaning given in clause 13.1.

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**Fair Market Value** means the fair market value of a Security as determined in accordance with clause 19.

**Financial Year** means the 12-month period starting on 1 January and ending on 31 December each year (or other dates as the Board approves).

**Fund** means any unit trust, investment trust, investment company, limited partnership, general partnership, fund or other collective investment scheme, pension fund, managed account, mandated client, superannuation fund or any body corporate or other entity, in each case, the business, operations or assets of which are managed or advised professionally for investment purposes.

**Further ROFR Notice** has the meaning given in clause 15.4(a).

**General Partner** has the meaning given in clause 25.1.

**Governmental Agency** means a government (whether federal, state, territorial or local), a department, office or minister of a government acting in that capacity or a commission, delegate, instrumentality, agency, board or other governmental, semi-governmental, judicial, administrative, regulatory, monetary or fiscal authority, whether statutory or not. It also includes a self-regulatory organisation established under statute.

**Group** means the Company and each of its Subsidiaries and each of its or their interests in joint ventures or other entities (including trusts), from time to time.

**Group Company** means a member of the Group from time to time.

**GST** has the same meaning as in the GST Law.

**GST Law** has the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

**Imbalance** has the meaning given in clause 2.4(c).

**Independent Expert** has the meaning given in clause 19(b).

**Initial Application Period** has the meaning given in clause 12.2(a)(v).

**Initial Securities** means the Class A1 Shares, Class A1 Notes, Class B1 Shares and Class B1 Notes.

**Insolvency Event** means an event that occurs in respect of an entity if:

- (a) where the entity is a company:
  - (i) the person stops or suspends or threatens to stop or suspend payment of all or a class of its debts;
  - (ii) the person is insolvent within the meaning of section 95A of the Corporations Act;
  - (iii) a court is required by reason of section 459C(2) of the Corporations Act to presume that the person is insolvent;
  - (iv) the person fails to comply with a statutory demand (within the meaning of section 459F(1) of the Corporations Act);
  - (v) an administrator is appointed over all or any of the person's assets or undertaking or any step preliminary to the appointment of an administrator is taken;
  - (vi) a controller within the meaning of section 9 of the Corporations Act or similar officer is appointed to all or any of the person's assets or undertaking;
  - (vii) an application or order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting or an application to a court or other steps are taken (other than frivolous or vexatious applications, proceedings,

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notices or steps) for the person's winding up or dissolution or for the person to enter an arrangement, compromise or composition with or assignment for the benefit of its creditors, a class of them or any of them; or

- (viii) something having a substantially similar effect to subparagraphs (a)(i) to (a)(vii) above happens in connection with that person under the law of any jurisdiction; and
- (b) where the entity is a natural person, partnership or other type of entity, the equivalent of one or more of the circumstances set out in paragraph (a) of this definition occurs in respect of the entity in any relevant jurisdiction.

**Invitation to Tag** means in respect of the Securityholders, an invitation in the form contemplated by clause 17.2.

**IPO** means an initial public offering of shares in the Company, shares in any Subsidiary of the Company or shares in a company of which the Company is or will be a wholly owned subsidiary in conjunction with an application for the quotation of those shares on a Stock Exchange.

**Issue Notice** has the meaning given in clause 12.2(a).

**Loan Note** means a Class A1 Note, Class A2 Note, Class B1 Note or Class B2 Note.

**LP Assets** has the meaning given in clause 25.3.

**Majority Class A Shareholders** has the meaning given in clause 13.1.

**Material Default** means, in respect of:

- (a) a Securityholder, a material breach of this Deed, including:
  - (i) taking any action which causes an Imbalance to arise, or failing to take any action required to avoid an Imbalance arising, contrary to clause 2.4;
  - (ii) a breach of clause 14.1; and
  - (iii) a breach of clause 20.1(d);

and also includes circumstances where the Securityholder breaches any Anti-Bribery and Corruption Law or any Anti-Money Laundering Law; and
- (b) AOG L.P., in addition to anything described in paragraph (a) of this definition, includes circumstances where:
  - (i) the general partner of AOG L.P. is replaced without the prior written consent of the Company (which may be withheld in its absolute discretion);
  - (ii) any amendment to the terms of the AOG L.P. Agreement is approved by the AOG L.P. Limited Partners without the prior written consent of the Company (which may be withheld in its absolute discretion);
  - (iii) AOG L.P.:
    - (A) has any material assets other than Class B Securities or the proceeds of distributions or other amounts paid in respect of Class B Securities; or
    - (B) does anything that is materially inconsistent with the sole purpose for which it was established, being to hold Class B Securities,

without the prior written consent of the Company (which may be withheld in its absolute discretion);
  - (iv) AOG L.P. takes any action which causes, or fails to take any action required (under this Deed or under the AOG L.P. Agreement) to avoid, a breach of clause 2.3(a);

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- (v) an AOG L.P. Limited Partner transfers, or attempts to transfer, their AOG L.P. Units other than in accordance with the AOG L.P. Agreement or otherwise commits a material breach of the AOG L.P. Agreement (which shall not include a failure to comply with Special Term 12.1 of the AOG L.P. Agreement), provided that this will only be considered a Material Default in respect of the Proportionate Class B Securities of that AOG L.P. Limited Partner; and
- (vi) an AOG L.P. Limited Partner contravenes any Anti-Bribery and Corruption Law or any Anti-Money Laundering Law, provided that this will only be considered a Material Default in respect of the Proportionate Class B Securities of that AOG L.P. Limited Partner.

**New Securityholder** has the meaning given in clause 27.1 or 27.2, as applicable.

**Nominee** has the meaning given in clause 18.4(h).

**Obligations** has the meaning given in clause 25.2.

**Obligor** has the meaning given in clause 20.1.

**Proportionate Class B Securities** means, in respect of an AOG L.P. Limited Partner, the number of:

- (a) Class B1 Shares held by AOG L.P. that is equal to the number of AOG L.P. B1 Units held by the AOG L.P. Limited Partner;
- (b) Class B2 Shares held by AOG L.P. that is equal to the number of AOG L.P. B2 Units held by the AOG L.P. Limited Partner; and
- (c) Class B2 Notes held by AOG L.P. that is equal to the number of AOG L.P. B2 Notes held by the AOG L.P. Limited Partner,

as applicable.

**Public Official** means any person who:

- (a) is employed by, is acting in an official capacity for, or performs public functions for a Governmental Agency or a public international organisation;
- (b) is elected, appointed, or holds a legislative, administrative, or judicial position; or
- (c) is a candidate for political office, a political party officials or a political party.

**Qualified Person** means a person who is not disqualified from managing a corporation pursuant to section 206B of the Corporations Act, who has not been convicted of an indictable offence, and who has not been charged with fraud, bribery or other indictable offences of dishonesty.

**Related Body Corporate** has the meaning given in the Corporations Act, interpreted so that 'subsidiary' has the meaning given to that term in this Deed and that 'body corporate' includes a Fund, trust or a partnership, except that no Group Company will be a Related Body Corporate of any Securityholder.

**Related Entity** means, in relation to an entity (the **first entity**):

- (a) a Related Body Corporate of the first entity; or
- (b) a Controlled entity of the first entity;
- (c) an entity of which the first entity is a Controlled entity;
- (d) a Controlled entity of another entity of which the first entity is also a Controlled entity; and
- (e) in relation to a Brookfield Securityholder, includes any Affiliate of Brookfield.



**Relevant Proportion** means, in relation to a Shareholder, the proportion which its aggregate holding of Shares bears to the aggregate of all issued Shares in the Company.

**Representative** means, in relation to an entity, an employee, officer, director or adviser of that entity.

**ROFR Acceptance Notice** has the meaning given in clause 15.4(b).

**ROFR Notice** has the meaning given in clause 15.2(a).

**ROFR Offer Terms** has the meaning given in clause 15.2(c)(iii).

**ROFR Securities** has the meaning given in clause 15.2(a).

**ROFR Seller** has the meaning given in clause 15.2(a).

**Scheme** has the meaning given in Recital B.

**Scheme Price** means \$0.5656 per Share or a combined price of \$1 per Share and Loan Note.

**Schemes** means the Scheme and the Trust Scheme.

**Securities** has the meaning given to 'securities' in section 92(3) of the Corporations Act but excludes debentures and interests in debentures other than Loan Notes.

**Securityholder** means a registered holder of the Securities from time to time.

**Share** means an ordinary share in the capital of the Company and includes a Class A1 Share, Class A2 Share, Class B1 Share or a Class B2 Share.

**Shareholder** means a registered holder of Shares from time to time.

**Simple Majority** means:

- (a) pursuant to clause 4.5, Directors that together hold more than 50% of the total voting rights of all Directors who attend the relevant Board meeting; or
- (b) Class A Directors that together hold 50% or more of the total voting rights of all Class A Directors and Class B Directors that together hold 50% or more of the total voting rights of all Class B Directors who sign the relevant written resolution,

(as the case may be) and in each case who are entitled to vote on the relevant resolution.

**Stock Exchange** means the Australian Securities Exchange or any other recognised stock exchange approved by a majority of the Class A Securityholders.

**Subsidiary** has the meaning given to 'subsidiary' in the Corporations Act, amended as necessary such that:

- (a) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share;
- (b) a body corporate or trust may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a body corporate; and
- (c) a body corporate or a trust may be a Subsidiary of a partnership if all of the shares, units or other beneficial interests of the body corporate or trust (as relevant) are held by the partners of that partnership.

**Suitably Qualified Expert** means any of KPMG, EY, PwC, Deloitte, Colliers, Knight Frank, CBRE or JLL.

**Tag Option** has the meaning given in clause 17.2(d)(i) or 17.2(d)(ii), as applicable.

**Tag Price** has the meaning given in clause 17.2(c).

**Tag Proportion** has the meaning given in clause 17.2(b).

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**Tag Terms** has the meaning given in clause 17.2(c).

**Tagged Securities** has the meaning given in clause 17.2(d)(i) or 17.2(d)(ii), as applicable.

**Target** means AGL and AGT.

**Target Securities** means shares in the capital of AGL and units in the capital of AGT.

**Third Party** means a person other than a party or an Affiliate of the party.

**Trade Sale** means the sale of:

- (a) at least 50% of the Shares; or
- (b) any components of the Group's business or assets that generate at least 50% of the Group's revenue,

in each case to a Third Party.

**Transfer** means a transfer of a Securityholder's legal or beneficial interests in Securities, as the case may be.

**Transfer Approval** means any authorisation, registration, filing, permission, licence, approval, direction, declaration, authority or exemption from, by or with any Governmental Agency.

**Trust Scheme** has the meaning given in Recital B.

**Trustee** means the trustee or responsible entity of any Securityholder that is a trust.

### 1.2 Interpretation

- (a) Headings are for convenience only and do not affect interpretation.
- (b) Mentioning anything after *includes, including, for example,* or similar expressions, does not limit what else might be included.
- (c) Nothing in this Deed is to be interpreted against a party solely on the ground that the party put forward this Deed or a relevant part of it.
- (d) The following rules apply unless the context requires otherwise.
  - (i) The singular includes the plural and the converse also applies.
  - (ii) A gender includes all genders.
  - (iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
  - (iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
  - (v) A reference to a clause, Schedule or Annexure is a reference to a clause of, or Schedule or Annexure to, this Deed.
  - (vi) A reference to an agreement or document (including, without limitation, a reference to this Deed) is to the agreement or document as amended, novated or replaced, except to the extent prohibited by this Deed or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document.
  - (vii) A reference to writing or written includes any method of reproducing words, figures, drawings or symbols in a visible and tangible form but excludes a communication by electronic mail.

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- (viii) A reference to a party to this Deed or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (ix) A reference to legislation or to a provision of legislation includes any modification or re-enactment of it, a legislative provision substituted for it and all regulations or statutory instruments issued under it.
- (x) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (xi) A reference to an *agreement* includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a *document* includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (xii) A reference to any professional body includes the successors of that body.
- (xiii) A reference to dollars and \$ is to Australian currency.
- (xiv) A word or phrase given a meaning in the Corporations Act has the same meaning in this Deed unless otherwise defined.
- (xv) A word or phrase given a meaning in the GST Law has the same meaning in this Deed unless otherwise defined in this Deed or in the Corporations Act.
- (xvi) All references to time are to Sydney time.

**1.3 Precedence of this Deed**

Where this Deed and the Constitution deal with the same or a similar topic differently:

- (a) this Deed prevails in relation to that topic; and
- (b) subject to Schedule 2, if a Shareholder gives the Company a notice specifying the difference and requesting an amendment to the Constitution that will remove that difference, each Shareholder must take all necessary steps to amend the Constitution to make the Constitution consistent with this Deed.

**1.4 Adoption of Constitution**

The parties agree that the Securityholders will ensure that the Constitution is adopted in a form substantially similar to that attached at Schedule 5 with effect on or prior to the effective date of the Schemes.

**2 Capital Structure****2.1 Initial capital structure**

- (a) As at the date of this Deed, the only Securityholders in the Company are the Brookfield Securityholders.
- (b) Following entry into this Deed and prior to the effective date of the Schemes, it is intended that the Brookfield Securityholders will subscribe for additional Class A1 Shares and Class A1 Notes in the Company pursuant to clause 11.3(a).
- (c) On the effective date of the Schemes, AOG L.P. will:
  - (i) be issued with a number of Class B1 Shares and Class B1 Notes in the Company, with the number of Class B1 Shares being equal to the number of AOG L.P. B1 Units that will be on issue on that date; and

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- (ii) accede to this Deed,  
pursuant to clause 11.3(b) and the terms of the Schemes.

### 2.2 Classes of Securities

- (a) If at any time a:
  - (i) Class A1 Share or Class A1 Note is transferred to AOG L.P., it will automatically and immediately convert to a Class B1 Share or Class B1 Note;
  - (ii) Class A2 Share or Class A2 Note is transferred to AOG L.P., it will automatically and immediately convert to a Class B2 Share or Class B2 Note;
  - (iii) Class B1 Share or Class B1 Note is transferred to or held by a Class A Securityholder, it will automatically and immediately convert to an equivalent Class A1 Share or Class A1 Note; and
  - (iv) Class B2 Share or Class B2 Note is transferred to or held by a Class A Securityholder, it will automatically and immediately convert to an equivalent Class A2 Share or Class A2 Note.

Class A Securities and Class B Securities will otherwise not convert to another class of Security.

- (b) Other than as expressly provided in this Deed, Class A Securities and Class B Securities rank equally, and the rights and obligations attaching to Class A Securities and Class B Securities are identical.

### 2.3 Equivalence

Where AOG L.P. is a Class B Securityholder:

- (a) it must ensure that at all times the number of:
  - (i) Class B1 Shares held by AOG L.P. is equal to the number of AOG L.P. B1 Units;
  - (ii) Class B2 Shares held by AOG L.P. is equal to the number of AOG L.P. B2 Units; and
  - (iii) Class B2 Notes held by AOG L.P. is equal to the number of AOG L.P. B2 Notes, and
- (b) any purported issue, transfer, buy-back, redemption or cancellation of, or other Dealing with, Class B Securities in accordance with this Deed must comply with the principle in clause 2.3(a) in order to be valid.

### 2.4 Equalisation principle

- (a) Subject to clause 2.4(b), the parties agree that their intention is that the percentage interest in:
  - (i) Class A1 Shares or Class B1 Shares (as a proportion of the total number of Class A1 Shares and Class B1 Shares on issue) (**A1/B1 Share Proportion**); and
  - (ii) Class A1 Notes or Class B1 Notes (as a proportion of the total number of Class A1 Notes and Class B1 Notes on issue) (**A1/B1 Note Proportion**),held by a Securityholder shall at all times be as close as is reasonably practicable to equal to each other.
- (b) The parties acknowledge and agree that issues, reductions and Transfers of Initial Securities in accordance with this Deed, are required to be undertaken on the basis that

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complies with the principle in clause 2.4(a), unless the Securityholders otherwise agree in writing.

- (c) The parties acknowledge and agree that if a Securityholder's A1/B1 Share Proportion and A1/B1 Note Proportion become unequal (an **imbalance**), then unless the Imbalance is permitted by clause 2.4(b), the parties will, as soon as reasonably practicable, consult with each other in good faith with a view to collectively taking all reasonable steps (including rescinding or unwinding any transaction giving rise to the Imbalance) to ensure that the Imbalance is remedied.
- (d) Notwithstanding any other provision of this Deed, for so long as an Imbalance which is not permitted by clause 2.4(b) continues to exist and has not been remedied in accordance with clause 2.4(c), any Securityholder that is suffering an Imbalance shall not be entitled to Transfer any Initial Securities to any person, other than to rectify the Imbalance (which Transfer must occur in accordance with this Deed) or in accordance with clause 14.2(a) or clause 18.
- (e) Notwithstanding the principle in clause 2.4(a), the parties intend that the Loan Notes are to be treated as a separate interest to the Shares, and that the Loan Notes will be treated as debt for both accounting and tax purposes.

**2.5 Change in law**

If there is a change in applicable law which results:

- (a) in the prohibition or likely prohibition of the structure of AOG L.P. to be a Class B Securityholder; or
  - (b) in a materially detrimental commercial impact on the AOG L.P. Limited Partners,
- all Securityholders must consult reasonably for the purposes of agreeing appropriate action which must not be adverse to the AOG L.P. Limited Partners and may include transfer of all of the Class B Securities held by AOG L.P. as requested by AOG L.P., with the prior consent of the Class A Securityholders (not to be unreasonably withheld).

**2.6 AOG L.P. Limited Partners**

Notwithstanding anything to the contrary in this Deed, if an apparent breach of this Deed that is not a Compulsory Transfer Event is caused by:

- (a) an act or omission of one or more AOG L.P. Limited Partners, the breach will only be taken to arise in respect of the Proportionate Class B Securities of those AOG L.P. Limited Partners.
- (b) the general partner of AOG L.P. and which was not caused by the act or omission of any AOG L.P. Limited Partners, the breach will only be taken to arise if AOG L.P. Limited Partners holding more than 50% of the AOG L.P. Units then on issue do not:
  - (i) promptly, following notice from the Company and at the expense of the Company, take any actions the Company reasonably requests of them to replace the general partner with a new general partner who is willing to remedy the breach; and
  - (ii) use reasonable endeavours to take such actions as are necessary to require the general partner to remedy the breach, including enforcing their rights under the AOG L.P. Agreement and other legal rights. For the avoidance of doubt, for the purposes of this paragraph (ii), an obligation to use reasonable endeavours will not include an obligation to commence legal proceedings against the general partner or pay money in the form of consideration to a third party to procure the

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general partner to remedy the breach (other than the payment of immaterial expenses or costs).

### 3 Business and Management of the Company

#### 3.1 Function of the Board

The function of the Board is to govern the management of the Group. Subject to the Corporations Act, the Board may do all things necessary or desirable in connection with this function including:

- (a) determining the overall business strategy and direction for the Group;
- (b) reviewing and approving annual business plans and budgets; and
- (c) determining any other matter in relation to the Group.

#### 3.2 Delegation and Board Reserved Matters

- (a) The Board may, in its absolute discretion and at any time, amend, revoke or replace any delegation made to senior management.
- (b) The Company must not do nor commit to do and must procure that no Group Company does or commits to do, and the parties must use all voting rights and any other powers of control available to them to procure that no Group Company does, or commits to do, a thing listed in Schedule 2 (a **Board Reserved Matter**) without the prior unanimous approval of the Board.

### 4 Directors

#### 4.1 Number of Directors

The Board must consist of a maximum of seven Directors or (subject to clause 3.2(b) and item 3 of Schedule 2) such other maximum number as determined by the Board.

#### 4.2 Appointment of Directors

- (a) Subject to clause 4.2(e), the Class A Shareholders have the right to appoint, remove and replace five Directors to the Board by providing written notice to the Company. The right to appoint Class A Directors may be exercised by one or more Class A Shareholders who together hold more than 50% of the Class A Shares on issue.
- (b) Subject to clause 4.2(e) and 4.2(g), where the Class B Shareholders hold 15% or more of the Shares, the Class B Shareholders have the right to appoint, remove and replace two Directors to the Board by providing written notice to the Company. The right to appoint Class B Directors may be exercised by one or more Class B Shareholders who together hold more than 50% of the Class B Shares on issue.
- (c) Subject to clause 4.2(g), where the Class B Shareholders hold less than 15% of the Shares, if requested by a majority of the Class A Shareholders in writing, the Class B Directors will be removed as Directors. The Class B Shareholders undertake to do all things reasonably necessary to procure the resignation of any Class B Directors in those circumstances.
- (d) A Shareholder that is the subject of an Insolvency Event:
  - (i) may not exercise rights with respect to the appointment, removal or replacement of a Director under clause 4.2(a) or 4.2(b); and
  - (ii) shall be excluded for the purposes of calculating the percentage holding of one or more Shareholders within a class of Shares.

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- (e) Any person nominated as a proposed director must be a Qualified Person.
- (f) For the avoidance of doubt and notwithstanding any other provision of this Deed, if any:
  - (i) Class A Director ceases to be a Qualified Person, upon a request by a majority of the Class B Shareholders in writing; or
  - (ii) Class B Director ceases to be a Qualified Person, upon a request by a majority of the Class A Shareholders in writing,
 they must be removed as Directors. The Shareholders undertake to do all things reasonably necessary to remove or procure the resignation of any Directors appointed by them in those circumstances.
- (g) For the purpose of the 15% calculation in clauses 4.2, 7.1(a) and 14.2(b)(i):
  - (i) Share issues (other than the issue of the Initial Securities or issues in which Class B Shareholders take up their Relevant Proportion of the Shares being issued) will be disregarded for the purpose of calculating the percentage shareholding of the Class B Shareholders; and
  - (ii) the shareholding of the Class B Shareholders will only be taken to be reduced by Class B Shareholders Transferring Proportionate Class B Securities of an AOG L.P. Limited Partner which (together with its Affiliates) holds more:
    - (A) than 50% of the AOG L.P. Units; or
    - (B) AOG L.P. Units than any other AOG L.P. Limited Partner, other than a Transfer to an Affiliate.

**4.3 Appointment of Chairman**

The Class A Shareholders have the right to appoint, remove and replace the Chairman.

**4.4 Directors' interests**

- (a) A Director is not disqualified from holding any office or position with Brookfield or any of Brookfield's Affiliates or Related Entities. To avoid doubt, a Director may:
  - (i) be or become a director of or otherwise hold office or any position in any entity promoted by Brookfield or in which Brookfield may be interested; and
  - (ii) contract or make any arrangement with Brookfield or any of Brookfield's Affiliates or Related Entities.
- (b) A Director who has a material personal interest in a matter that relates to the Business (other than as a result of such Director's relationship with Brookfield or any of Brookfield's Affiliates or Related Entities) must give the other Directors notice of that interest and abstain from voting on that matter unless the Directors who are eligible to vote on the relevant matter unanimously agree otherwise.

**4.5 Voting entitlements of Directors**

- (a) Subject to clauses 4.4(b) and 4.5(c), each Director is entitled to one vote at a meeting of the Board.
- (b) The Chairman does not have an additional or casting vote.

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- (c) Subject to clause 4.4(b), if present at a meeting of the Board, a:
  - (i) Class A Director may exercise the voting rights:
    - (A) of any other Class A Director who is not present or is not entitled to vote at the meeting (including where a Class A Director is not entitled to vote pursuant to clause 4.4(b) because of a material personal interest); and
    - (B) that would be held by any additional Class A Directors that the Class A Shareholders are entitled to, but have not, appointed; and
  - (ii) Class B Director may exercise the voting rights:
    - (A) of any other Class B Director who is not present or is not entitled to vote at the meeting (including where a Class B Director is not entitled to vote pursuant to clause 4.4(b) because of a material personal interest); and
    - (B) that would be held by any additional Class B Directors that the Class B Shareholders are entitled to, but have not, appointed.

#### 4.6 Directors' duties

A Director appointed by a Shareholder may take into account the interests of that Shareholder and may act in the interests of the Shareholder in performing any of his or her duties or exercising any power, right or discretion as a Director, provided that the Director must act in the best interests of the Company as a whole at all times.

#### 4.7 Alternate Directors

Each Director may appoint an alternate to represent him or her at meetings of the Board. That person may be appointed by notice in writing to the Company signed by the appointor and that person need not be approved by resolution of the Directors. An alternate director will be entitled to attend and vote at meetings of the Board and to be counted in determining whether a quorum is present, without the need for such alternate to be approved by the Board.

#### 4.8 Directors' fees

The Company may pay (at its discretion) any non-executive Directors' fees.

#### 4.9 Expenses of Directors

A Director is entitled to be reimbursed out of the funds of the relevant Group Company for reasonable travelling, accommodation and other expenses which the Director incurs when travelling to or from meetings of the Board or board meetings of any other Group Company (or a committee of the Board or board of any other Group Company) or when otherwise engaged on the business of a Group Company subject to, and in accordance with, any policy adopted by the Board from time to time relating to such expenses.

### 5 Board Meetings

#### 5.1 Regularity of meetings

- (a) The Board must meet at least four times a year, unless otherwise determined by the Board.
- (b) A Director may convene a meeting of the Board at any time by notice to the other Directors that is given in accordance with the Constitution.
- (c) Directors may attend a meeting of the Board by telephone or other electronic means. A Director taking part in a meeting by telephone or other electronic means is to be taken to



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be present in person at the meeting and all Directors participating in the meeting will be taken to have consented to the holding of the meeting by the relevant electronic means.

**5.2 Quorum**

- (a) The quorum for a meeting of the Board is one Class A Director and, for so long as one or more Class B Directors is appointed, one Class B Director.
- (b) If a quorum is not present within 60 minutes of the time set for the meeting, the meeting is adjourned to the same time and place four Business Days later and notice reconvening the adjourned meeting must be promptly given to all Directors.
- (c) The quorum for the reconvened meeting will be one Class A Director.

**5.3 Board decisions**

Subject to applicable law and clause 3.2(b), all actions or resolutions of the Board will be made by the affirmative vote of a Simple Majority of Directors.

**6 Directors' and Officers' Insurance**

- (a) Each Group Company must to the extent permitted by law, take out and maintain at all times directors' and officers' liability insurance cover for the benefit of all Directors on terms (including that the relevant Director is named as a beneficiary) and with an insurer approved by the Board (or the board of the relevant Group Company) acting reasonably.
- (b) To the extent permitted by law, the parties will procure that each Group Company will indemnify each of its Directors against all claims, demands, costs, losses, damages and liabilities (of whatever nature) in any way incurred by such Director:
  - (i) in his or her capacity as a Director;
  - (ii) in connection with the lawful exercise of all or any of the Directors' powers and authorities conferred upon them; and/or
  - (iii) provided that such indemnification will be enforceable even if the relevant Director has been or is entitled to be reimbursed or indemnified by his appointor.
- (c) Nothing in this clause 6 constitutes an agreement by any Group Company to pay a premium which it is prohibited from paying under the Corporations Act.

**7 Meetings and Resolutions of Shareholders****7.1 Quorum**

- (a) Subject to clause 4.2(g), a quorum for a meeting of Shareholders is constituted by the presence of one Class A Shareholder and, for so long as a Class B Shareholder holds 15% or more of the Shares, one such Class B Shareholder.
- (b) If a quorum is not present within 60 minutes of the time set for the meeting, the meeting is adjourned to the same time and place four Business Days later and notice reconvening the adjourned meeting must be promptly given to all Shareholders.
- (c) The quorum for the reconvened meeting will be one Class A Shareholder.

**7.2 Voting by Shareholders**

- (a) Each Shareholder is entitled to that number of votes which is equivalent to the number of fully paid up Shares held by it.
- (b) If the number of Shareholders who are required to approve a matter sign and date a document (or two or more documents which are in identical terms) which was sent to all

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Shareholders and contains a statement to the effect that they are in favour of the matter set out in the document, then the matter is taken to have been approved (as of the date of the last signature required to reach the number of Shareholders required to approve such matter).

### **8 Representative**

#### **8.1 Brookfield Representative**

When this Deed provides that any:

- (a) power may be exercised;
- (b) decision may be made;
- (c) action may be performed;
- (d) notice may be given; or
- (e) consent may be given,

by Brookfield or a Brookfield Securityholder, then, and unless the context otherwise requires, the exercise of that power, the making of that decision, the performance of that action, or the giving of that notice or consent, may be communicated to the Company by (for and on behalf of all the Brookfield Securityholders) any combination of Brookfield Representatives whose appointing Brookfield Securityholders hold Shares which together represent a majority of the total number of Shares held by all Brookfield Securityholders.

#### **8.2 Dealing with Securities offered to Brookfield**

Where this Deed refers to:

- (a) 'Brookfield' acquiring or being offered Securities (including clause 12.2(f)); or
- (b) Class A Securityholders acquiring or being offered Securities in circumstances where Brookfield is a Class A Securityholder,

then:

- (c) the Brookfield Securityholders may elect as between themselves which Brookfield Securityholder(s) or Affiliate(s) will acquire those Securities; and
- (d) for the purposes of calculating Brookfield's proportionate entitlement to acquire or be offered Securityholders, the Securities held by all Brookfield Securityholders will be aggregated.

#### **8.3 Provision of information to Brookfield**

Any information or notice that is to be provided to 'Brookfield' under this Deed is to be provided to each Brookfield Securityholder.

### **9 Audit and Reporting Obligations**

#### **9.1 Financial records and accounts**

- (a) The Company must keep and maintain financial records and prepare annual financial reports in respect of each Group Company accordance with its obligations under the Corporations Act.
- (b) The Company must procure that the annual financial statements of the Group are audited by the Auditor within 80 Business Days of the conclusion of each Financial Year.

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**9.2 Information to all Securityholders**

The Company must provide a copy of the latest Audited Financial Statements of the Group to all Securityholders promptly after they are finalised, and at any other time on request by a Securityholder by no later than 5 Business Days after the request.

**9.3 Information to Brookfield**

- (a) The Company must promptly deliver to, or as directed by, Brookfield such financial and other information relating to the Group as Brookfield may request, including any information required by any financiers or prospective financiers of the Company or the Group.
- (b) The Company must provide to each Brookfield Securityholder, upon request, full access to:
  - (i) inspect the assets of the Group;
  - (ii) inspect and take copies of documents relating to the Business or the Group; and
  - (iii) discuss the affairs, finances and accounts of the Group with the Group's officers, employees, agents, representatives or contractors and the Auditor.
- (c) The Company must provide to the Directors upon request any information which has been provided to Brookfield under this clause 9.3.

**10 Dividends****10.1 Decision to pay Dividend**

A decision to pay and the amount of any Dividend will, subject to clause 3.2(b) and item 9 of Schedule 2, be at the sole discretion of the Board, provided that such Dividend does not result in a breach of the Corporations Act or any covenant or undertaking of the Group to any bank or financial institution.

**10.2 Entitlement to Dividend**

Each Shareholder (as at the relevant record date) will be entitled to receive its Relevant Proportion of any Dividend paid by the Company.

**11 Issue of Securities and Future Funding****11.1 No obligation to provide further funding**

No Securityholder is obliged to provide any further funding (by way of debt or equity, guarantee or otherwise) to the Group.

**11.2 New Securities**

- (a) Subject to clause 11.2(b), the Company must not issue any Securities unless the issue is:
  - (i) approved as a Board Reserved Matter;
  - (ii) an issue of Securities permitted in accordance with clause 11.3; or
  - (iii) an issue of Securities pursuant to a pro rata offer in accordance with clause 12.
- (b) Notwithstanding any other clause of this Agreement:
  - (i) the Company must not issue any Initial Securities (being Class A1 Shares, Class A1 Notes, Class B1 Shares or Class B1 Notes) except as specifically contemplated by clauses 11.3(a) and 11.3(b); and

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- (ii) any Shares issued other than in accordance with clauses 11.3(a) and 11.3(b), must be Class A2 Shares or Class B2 Shares.

### 11.3 Permitted issues

For the purposes of clause 11.2(a)(ii), the Company may issue new Securities if the issue is approved by the Board and is:

- (a) **(Class A1 Securities before effective date of Schemes)** an issue of Class A1 Shares or Class A1 Notes to Brookfield Securityholders as contemplated by Recital C and consistent with the Schemes;
- (b) **(Class B1 Securities in connection with Schemes)** an issue of a number of Class B1 Shares and Class B1 Notes to AOG L.P., where the number of Class B1 Shares is equal to the number of AOG L.P. B1 Units issued to securityholders of the Target pursuant to the Schemes;
- (c) **(acquisitions/mergers)** an issue of Securities to a Third Party as consideration for an acquisition by the Group or a merger of a Group Company with another entity provided the acquisition or merger is, in the reasonable opinion of the board, likely to be accretive to the Group's earnings per Share;
- (d) **(management incentive plan)** an issue of Securities pursuant to a management incentive plan;
- (e) **(dividend reinvestment plan)** an issue of Shares pursuant to a dividend reinvestment plan;
- (f) **(IPO)** an issue of Shares pursuant to an IPO; or
- (g) **(convertible securities)** an issue of Shares pursuant to the conversion of any convertible Securities into Shares, provided those convertible Securities were issued in accordance with this Deed.

### 11.4 Shareholder loans

The Group may issue Class A2 Notes to Class A Shareholders and Class B2 Notes to Class B Shareholders if:

- (a) issue of the Class A2 Notes and Class B2 Notes is approved by a Simple Majority Vote of the Board;
- (b) the Class A2 Notes and Class B2 Notes are issued on the Agreed Loan Terms (and for the avoidance of doubt, Class A2 Notes and Class B2 Notes are on the same terms); and
- (c) either:
  - (i) all Securityholders are offered a reasonable opportunity (being at least 10 Business Days before the Class A2 Notes and Class B2 Notes are issued (or if any Securityholder requires a Transfer Approval to acquire their Relevant Proportion of the Class A2 Notes and Class B2 Notes to be issued, such longer period as is reasonably required to obtain that Transfer Approval)), to subscribe for loan notes in their Relevant Proportions before the Class A2 Notes and Class B2 Notes are issued; or
  - (ii) if the Board has determined that it is not practicable to offer all Securityholders the opportunity to subscribe for Class A2 Notes and Class B2 Notes in their Relevant Proportion before the funds are required or if the Securityholders were not offered a reasonable opportunity to subscribe for Class A2 Notes and Class B2 Notes in accordance with clause 11.4(c)(i), on the basis that non-subscribing

Securityholders are offered a catch-up right enabling them to take an assignment of other Class A2 Notes and Class B2 Notes or to subscribe for their own Class A2 Notes and Class B2 Notes promptly thereafter so that all Securityholders have the opportunity to subscribe for Class A2 Notes and Class B2 Notes in their Relevant Proportions.

## 12 Pro Rata Issue of Securities

### 12.1 Pro rata offer to Shareholders

For the purposes of clause 11.2(a)(iii), the Company may undertake a pro rata offer to issue new Securities in accordance with this clause 12.

### 12.2 Basis of issue

The Company must ensure that the proposed issue is conducted on the following basis:

- (a) the Company must serve notice on each Securityholder (**Issue Notice**) specifying the:
  - (i) terms of issue;
  - (ii) issue price per new Security (which, in the case of an issue of Shares, must not be less than the greater of the Fair Market Value and the Scheme Price unless approved as a Board Reserved Matter);
  - (iii) total number of new Securities proposed to be issued;
  - (iv) number of new Securities that constitutes each Securityholder's Relevant Proportion of the total number of new Securities proposed to be issued;
  - (v) date by which Securityholders must apply for new Securities by notice to the Company (**Application Notice**), which shall be no earlier than 10 Business Days after the date of the Issue Notice (**Initial Application Period**); and
  - (vi) date on which subscription monies for the new Securities must be paid to the Company (being not less than 10 Business Days after the last date of the Initial Application Period (or if any Shareholder requires a Transfer Approval to acquire their Relevant Proportion of the new Securities to be issued, such longer period as is reasonably required to obtain that Transfer Approval));
- (b) the issue must be for cash;
- (c) if the proposed issue is a new issue of Shares, Class A Securityholders will only be issued Class A2 Shares, Class B Securityholders will only be issued Class B2 Shares and Third Parties will be issued any class of Shares determined by the Board. A determination of the Board to issue Class A2 Shares to any Third Parties under this clause 12.2(c) is a Board Reserved Matter;
- (d) each Securityholder may apply for any number of new Securities that is proposed to be issued up to the total number of new Securities proposed to be issued as set out in the Issue Notice by giving the Company an Application Notice before the end of the Initial Application Period (a Securityholder that does so being an **Applying Securityholder**). Any applications must be unconditional or conditional only upon a Transfer Approval being received within 60 Business Days after the Applying Securityholder gives the Application Notice on terms acceptable to the Applying Securityholder, acting reasonably;
- (e) if a Securityholder fails to give the Company an Application Notice before the end of the Initial Application Period that Securityholder will cease to have any right to apply to subscribe for the new Securities;

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- (f) if the Company receives applications for new Securities from one or more Applying Securityholders, the new Securities will be allocated between the Applying Securityholders as follows:
  - (i) to Applying Securityholders in their Relevant Proportions as set out in the Issue Notice, but not exceeding any maximum number of new Securities specified by an Applying Securityholder under its Application Notice; and
  - (ii) any excess of the new Securities after allocation under clause 12.2(f)(i) will be allocated amongst Applying Securityholders who have not already been allocated the maximum number of new Securities specified in its Application Notice, which allocation will be in, as near as practicable, the proportions in which those Applying Securityholders hold Shares, as determined by the Board (in its reasonable discretion), but not exceeding any maximum number of new Securities specified by an Applying Securityholder under its Application Notice;
- (g) the Company shall notify the Securityholders of the allocations effected under clause 12.2(f) and any relevant calculations indicating how allocations were made within two Business Days after the last date of the Initial Application Period;
- (h) if less than the total number of new Securities proposed to be issued is applied for by Securityholders, the Company may issue those new Securities to any Third Party or Third Parties approved by the Board within 180 days after the Initial Application Period on terms no more beneficial to the subscriber than those set out in the Issue Notice; and
- (i) if the Company does not issue the remaining new Securities in accordance with clause 12.2(h) within 180 days after the Initial Application Period, it may not issue those new Securities without first complying again with this clause 12.2.

### 13 Exit

#### 13.1 Exit Notice

Class A Securityholders who together hold more than 50% of the Class A Shares (**Majority Class A Shareholders**) or where Majority Class A Shareholders have committed a Compulsory Transfer Event, any Aggrieved Shareholder who holds at least 5% of Shares (**Exiting Securityholders**) may:

- (a) in respect of the Majority Class A Shareholders, at any time; or
- (b) in respect of an Aggrieved Shareholder, at any time during the Default Period,

give a notice to the Company and the other Securityholders stating that they wish to commence preparations for an Exit, and that they require the Group and the other Securityholders to assist with that Exit in accordance with this clause 13 (**Exit Notice**). The Exit Notice will set out any specific requirements of the Exiting Securityholders with respect to the Exit.

#### 13.2 Exit assistance

If Exiting Securityholders issue an Exit Notice, without prejudice to their other obligations:

- (a) each party must (and the Company must procure that the other Group Companies) use their best endeavours to ensure that the Exit occurs in accordance with the Exit Notice;
- (b) each Securityholder must exercise all rights it has in relation to the Group and its Securities to ensure that the Exit is achieved in accordance with the Exit Notice, and no Securityholder will object to the Exit or the process by which the Exit is implemented in accordance with the Exit Notice;

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- (c) each Securityholder must, and must procure that each Director appointed by it and/or its Affiliates, approve all matters appropriate to ensure that the Exit occurs in accordance with the Exit Notice and must not withhold, deny or delay any consent or approval right it has in connection with an Exit;
- (d) each party must (and the Company must procure that the other Group Companies) do all things, execute all documents and provide all such information and assistance as may be required by the Company or the Exiting Securityholders (including preparing any necessary materials for, and giving presentations to, Third Parties and potential financiers, facilitating and supporting any due diligence process required (including providing information requested by the Exiting Securityholders), assistance in obtaining Governmental Agency and Third Party approvals and consents required for the Exit and undertaking any action described in clause 13.3 if the Exit is an IPO and the Exiting Securityholders determine that the action is appropriate in connection with the Exit) to facilitate the Exit; and
- (e) the Company must appoint financial, legal, taxation, accounting and other advisers nominated by the Exiting Securityholders to advise on, and assist with, the Exit.

**13.3 IPO preparation**

If an Exit Notice requires preparations to be made for an IPO, or the Board resolves to undertake an IPO or any other action which would facilitate an IPO (including a re-organisation of the outstanding securities of any Group Company or amalgamating or reconstructing any or all of the Group Companies), to the extent permitted by law:

- (a) each party must (and the Company must procure that the other Group Companies must) co-operate and use their best endeavours to do all acts, matters and things within its power to effect the IPO, including:
  - (i) applying to a Stock Exchange for admission of the relevant Group Company to its official list and for official quotation of the relevant shares;
  - (ii) procuring the unanimous passage of all appropriate resolutions of Group Company in meetings of members or of a board or the Board;
  - (iii) exchanging its Securities for securities in the relevant Group Company to be listed;
  - (iv) appointing appropriately qualified professional advisors;
  - (v) both:
    - (A) Transferring some or all of its Securities to a newly incorporated sale vehicle or otherwise as requested by the Board; and
    - (B) allowing, and doing all things reasonably required by the Board to give effect to, any buy-back, redemption or cancellation of some or all of the Securities;

provided that the price per Security (net of any costs) for any such Transfer, buy-back, redemption or cancellation is the same for all Securityholders of the same class (and for the purpose of determining this price, Class A Securities and Class B Securities will be taken to be in the same class of Securities);
  - (vi) assisting in preparing a prospectus or other disclosure document and in marketing activities, including road shows;
  - (vii) appointing an appropriate board of directors to the Group Company to be listed having regard to any advice from any financial advisor appointed in connection

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- with the IPO, including an appropriate number of independent non-executive directors for the relevant Group Company's listed state;
- (viii) obtaining any necessary Stock Exchange and other Governmental Agency approvals;
  - (ix) meeting the financial reporting requirements of the relevant Stock Exchange; and
  - (x) agreeing to amendments to this Deed, the Constitution and the constituent documents of other Group Companies, as appropriate in connection with the IPO;
- (b) this Deed must be terminated or amended in order to comply with applicable laws and Stock Exchange rules in connection with the IPO;
- (c) the Company must procure that management of the Group applies adequate time, resources and commitment to the IPO process to enable it to be successfully completed, including for the purposes of:
- (i) due diligence, membership of a due diligence committee, and providing sign offs to a due diligence committee in connection with the preparation and verification of relevant disclosure documents;
  - (ii) attending and facilitating management presentations, site visits and investor road shows; and
  - (iii) satisfying all terms and conditions of admission to listing imposed by the relevant Stock Exchange; and
- (d) each party must take (and must procure that the Group Companies and the board of each Group Company takes) such actions as are appropriate to ensure that the capital structure, debt financing and leverage of the Group is appropriate for a public company listed on a Stock Exchange, including negotiating and entering into new debt finance facilities, if appropriate.

### 13.4 IPO participation

If Class A Securityholders sell any of their Securities in an IPO, Class B Securityholders may also participate as selling Securityholders in the IPO pursuant to the tag along rights in clause 17 and the Company must (or if applicable must ensure that the relevant Group Company) allow the Securityholder to Dispose of its Securities or its securities in the entity to be listed in the IPO (without imposing any obligation on the Company to ensure or facilitate any such Disposal of Securities).

### 13.5 Restrictions and escrow

Each Securityholder agrees to:

- (a) subject to clause 13.4, such restrictions on the number of Securities in the Company or relevant Group Company that it is permitted to sell as part of an IPO; and
- (b) if the Securityholder has 15% or greater holding of Shares in the Company or securities in the relevant Group Company at the time of the IPO, such escrow arrangements for its Shares in the Company or securities in the relevant Group Company, as applicable, on completion of the IPO (provided that Class B Securityholders are not subject to escrow terms that are more restrictive than those that apply to Class A Securityholders, on a pro rata basis),

as the Board may reasonably require, having regard to the advice of any appointed financial advisor as to what is reasonably required or desirable for a successful IPO.



**13.6 Impact of Exit Notice on Permitted Transfers**

The issue of an Exit Notice under this clause 13 does not limit the rights of Securityholders to exercise their right of first refusal, tag along or drag along under clauses 15-17.

**13.7 Company's obligations**

Without limiting the generality of this clause 13, the Company must pay the costs of preparing any offer document, advisory fees, underwriting commissions (if any), expenses of due diligence investigations, Stock Exchange fees, Governmental Agency fees, legal fees, expert's fees, printing expenses and postage expenses in connection with any IPO or proposed IPO.

**13.8 Power of attorney**

Each Class B Securityholder irrevocably appoints the Company as its attorney in accordance with clause 29.7 on default by it of performance of its obligations under this clause 13.

**14 Dealings with Securities****14.1 Restrictions on Dealing**

A Securityholder must not Deal with any of its Securities unless that Dealing is expressly permitted or provided for in clause 14.2.

**14.2 Permitted Transfers**

Subject always to the equalisation principle in clause 2.4(a), in each case provided that the requirements of clause 27 are complied with, Securities may be Dealt with in the following circumstances.

- (a) **(Transfer by Class A Securityholders to Affiliates)** Class A Securityholder may Transfer some or all of their Securities to an Affiliate at any time.
- (b) **(Transfer by Class A Securityholders to Buyers)** Class A Securityholders may Transfer some or all of their Securities to a Buyer provided that:
  - (i) subject to clause 4.2(g), if Class B Securityholders hold 15% or more of all Shares, the Class A Securityholders have complied with the right of first refusal in clause 15; and
  - (ii) if applicable, the Class A Securityholders have complied with the tag along rights in clause 17.
- (c) **(Transfer by Class B Securityholders under ROFR)** Class B Securityholders may Transfer some or all of their Securities to a Buyer provided that:
  - (i) before the fourth anniversary of the effective date of the Schemes, the Class A Securityholders have all consented to that Transfer (which consent must not be unreasonably withheld after the second anniversary of the effective date of the Schemes). For the avoidance of doubt, after the fourth anniversary of the effective date of the Schemes, Class B Securityholders will not require consent from the Class A Securityholders in order to proceed in accordance with clause 14.2(c)(ii); and
  - (ii) after the Class A Securityholders have consented or if the consent of the Class A Securityholders is not required in accordance with clause 14.2(c)(i):
    - (A) if the Class B Securityholder is AOG L.P., the transfer is to a Class A Securityholder in accordance with the right of first refusal in clause 15; or

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- (B) otherwise, the transfer occurs in accordance with the right of first refusal in clause 15.

For the avoidance of doubt, the parties acknowledge that if an AOG L.P. Limited Partner wishes to Transfer some or all of its AOG L.P. Units or AOG L.P. Notes to a Third Party buyer, it will first require AOG L.P. to comply with this clause 14.2(c) in respect of its Proportionate Class B Securities, and following AOG L.P.'s compliance with the procedures required by this clause 14.2(c), the AOG L.P. Limited Partner may be permitted to Transfer its AOG L.P. Units or AOG L.P. Notes to a Third Party or another AOG L.P. Limited Partner in accordance with the AOG L.P. Agreement, but AOG L.P. will not be permitted to Transfer the relevant Proportionate Class B Securities to a Third Party.

- (d) **(Transfer pursuant to drag along)** Securityholders must Transfer any Dragged Securities pursuant to clause 16.
- (e) **(Transfer pursuant to tag along)** Securityholders must Transfer any Tagged Securities pursuant to clause 17.
- (f) **(Compulsory transfer)** Securityholders must Transfer Securities pursuant to the compulsory transfer provisions in clause 18.

### 14.3 Ceasing to be an Affiliate

If a person to whom Securities are Transferred under clause 14.2(a) (**Holder**) ceases to be an Affiliate of the transferor (**Transferor**), unless otherwise permitted by the Board, the Holder must immediately upon ceasing to be an Affiliate:

- (a) Transfer its entire legal and beneficial interest in the relevant Securities back to the Transferor; or
- (b) Transfer its entire legal and beneficial interest in the relevant Securities to another Affiliate of the Transferor.

### 14.4 Withholding tax

If a person that is acquiring any Securities pursuant to this Deed is required by Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953* (Cth) to pay amounts to the Australian Taxation Office in respect of the acquisition of those Securities, the acquirer will be permitted to deduct the relevant amounts from the payment of the consideration to the transferor of those Securities, and to remit those amounts to the Australian Taxation Office. The aggregate sum payable to such a transferor shall not be increased to reflect the deduction and the net aggregate sum payable to those transferors shall be taken to be in full and final satisfaction of the amounts owing to those transferors.

### 14.5 Brookfield Transfer

If Brookfield wishes to Transfer Securities and, following the Transfer, Brookfield would hold less than 50.1% of the Class A Shares, Brookfield must:

- (a) give notice to the Class B Shareholders; and
- (b) negotiate in good faith with the Class B Shareholders for a period of 30 days from the date of the notice given under clause 14.5(a) with a view to agreeing whether an Exit can be undertaken instead of the proposed Transfer by Brookfield.

**15 Right of First Refusal****15.1 Application**

This clause 15 applies to Transfers of Securities which are required to comply with it by clauses 14.2(b) and 14.2(c), but does not apply to other Dealings contemplated by clause 14.2.

**15.2 ROFR Notice**

- (a) If a Securityholder (a **ROFR Seller**) wishes to give effect to a Transfer of some or all of its Securities (**ROFR Securities**), the ROFR Seller must first give a written notice (**ROFR Notice**) to the Company and each Securityholder.
- (b) Where the ROFR Seller is:
  - (i) a Class A Securityholder, the ROFR Securities may be any number of that Securityholder's Securities;
  - (ii) a Class B Securityholder other than AOG L.P., the ROFR Securities must be all of that Securityholder's Securities; and
  - (iii) AOG L.P., the ROFR Securities:
    - (A) in respect of an AOG L.P. Limited Partner whose Proportionate Class B Securities comprise less than 5% of the Class B Shares, must be all of the Proportionate Class B Securities attributable to that AOG L.P. Limited Partner; and
    - (B) in respect of each other AOG L.P. Limited Partner, may be any number of Securities.
- (c) The ROFR Notice must specify:
  - (i) the identity of the ROFR Seller (and if the ROFR Seller is AOG L.P., the identity of the AOG L.P. Limited Partners some or all of whose Proportionate Class B Securities are ROFR Securities);
  - (ii) the number (and class) of Securities that comprise the ROFR Securities;
  - (iii) the terms on which the ROFR Seller is prepared to sell the ROFR Securities, including the cash price per ROFR Security (**ROFR Offer Terms**); and
  - (iv) an address for service for the ROFR Seller.

**15.3 Response to ROFR Notice**

- (a) The Board may determine, as a Board Reserved Matter, that the ROFR Securities will be bought-back, redeemed, repaid or cancelled (which may be by way of a capital reduction) at the same price per ROFR Security as set out in the ROFR Offer Terms.
- (b) If the Board makes such a determination within 20 Business Days after receiving the ROFR Notice, each party must take all necessary steps, including voting in favour of any required shareholder resolutions, to facilitate the buy-back, redemption, repayment or cancellation as soon as reasonably practicable after the Board has made the relevant determination.

**15.4 Further ROFR Notice**

- (a) If the Board does not make a determination of the type contemplated by clause 15.3(a) within 20 Business Days after receiving the ROFR Notice, the Company will issue a notice on behalf of the ROFR Seller:
  - (i) if the ROFR Seller is not AOG L.P., to each other Securityholder; or

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- (ii) if the ROFR Seller is AOG L.P., to each Securityholder including AOG L.P., (**Further ROFR Notice**). The Further ROFR Notice must include everything specified in the ROFR Notice.
- (b) Each Securityholder receiving the Further ROFR Notice may elect to purchase some or all of the ROFR Securities (each an **Accepting Securityholder**) by giving written notice to the Company within 15 Business Days after the date of the Further ROFR Notice (**ROFR Acceptance Notice**). A ROFR Acceptance Notice must specify the number of ROFR Securities the Accepting Securityholder is willing to acquire.
- (c) An Accepting Securityholder must elect to purchase ROFR Securities unconditionally, or conditional only upon a Transfer Approval being received within 60 Business Days after the Accepting Securityholder gives the ROFR Acceptance Notice on terms acceptable to the Accepting Securityholder, acting reasonably.

### 15.5 Dealing with acceptances

- (a) If the Company receives ROFR Acceptance Notices from one or more Accepting Securityholders for at least 100% of the ROFR Securities by the date specified in clause 15.4(b), the ROFR Securities will be allocated between the Accepting Securityholders as follows:
  - (i) to Accepting Securityholders pro rata according to the number of Shares already held by each Accepting Securityholder (provided that if AOG L.P. is the ROFR Seller and an Accepting Securityholder, the Proportionate Class B Securities attributable to the relevant transferring AOG L.P. Limited Partner(s) will be disregarded for the purposes of determining pro rata entitlements); and
  - (ii) any excess of the ROFR Securities after allocation under clause 15.5(a)(i) will be allocated amongst Accepting Securityholders who have not already been allocated the maximum number of ROFR Securities specified by them in their ROFR Acceptance Notice, which allocation will be in, as near as practicable, the proportions in which those Accepting Securityholders hold Shares, as determined by the Board (in its reasonable discretion), but not exceeding the maximum number of ROFR Securities specified by an Accepting Securityholder in their ROFR Acceptance Notice.
- (b) If the Company receives ROFR Acceptance Notices from one or more Accepting Securityholders for less than 100% of the ROFR Securities by the date specified in clause 15.4(b), if the ROFR Seller agrees (in its absolute discretion), the accepted ROFR Securities will be allocated between the Accepting Securityholders in accordance with ROFR Acceptance Notices.
- (c) The Company shall notify the Securityholders of the allocations effected under clause 15.5(a) or 15.5(b) (as applicable) and any relevant calculations indicating how allocations were made within two Business Days after the date specified in clause 15.4(b). Where the number of Securities which would otherwise be allocated to an Accepting Securityholder includes a fraction, that fraction will be rounded up or down as determined by the Board in good faith.
- (d) The transfer of the ROFR Securities allocated to the Accepting Securityholders under clause 15.5(a) or 15.5(b) (as applicable) must be completed on the 10<sup>th</sup> Business Day after the later of:
  - (i) the date specified in clause 15.4(b); and

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- (ii) if one or more ROFR Acceptance Notices was conditional on the receipt of Transfer Approvals and those Transfer Approvals have been received in the time contemplated in clause 15.4(c), the date on which the last Transfer Approval upon which any of the ROFR Acceptance Notices is conditional (if any) has been received,

when the ROFR Seller must sell and the Accepting Securityholders must purchase the allocated ROFR Securities on the ROFR Offer Terms.

#### **15.6 Dealing with ROFR Securities where AOG L.P. is the ROFR Seller and an Accepting Securityholder**

For the avoidance of doubt, if AOG L.P. is the ROFR Seller and an Accepting Securityholder, any ROFR Securities allocated to AOG L.P. in accordance with clause 15.5 will not be sold and will instead be retained by AOG L.P. (however, any ROFR Securities accepted by other Securityholders will be sold in accordance with this clause 15). The parties acknowledge that where ROFR Securities are allocated to AOG L.P. in these circumstances, an equivalent number of AOG L.P. Units will be sold to existing AOG L.P. Limited Partners pursuant to the terms of the AOG L.P. Agreement.

#### **15.7 Permitted Transfers to Buyers**

If a Further ROFR Notice is issued and the Company:

- (a) does not receive any ROFR Acceptance Notices; or
- (b) receives ROFR Acceptance Notices for less than 100% of the ROFR Securities, by the date specified in clause 15.4(b), then, unless the ROFR Seller is AOG L.P., the ROFR Seller may Transfer any ROFR Securities not sold to Accepting Securityholders to one or more bona fide Buyers, provided that:
- (c) the Transfer is for a cash price per ROFR Security that is greater than or equal to the price specified in the ROFR Notice;
- (d) the Transfer is otherwise on terms that are not materially more favourable to the Buyers than those specified in the ROFR Notice; and
- (e) the Transfer is completed within 90 days after the date specified in clause 15.4(b).

For the avoidance of doubt, the parties acknowledge that if the ROFR Seller is AOG L.P., after compliance with this clause 15, under the terms of the AOG L.P. Agreement, the relevant AOG L.P. Limited Partner may transfer the relevant AOG L.P. Units to a Third Party, but AOG L.P. will not be permitted to Transfer the relevant Class B Securities to a Third Party.

#### **15.8 Power of attorney**

Each Class B Securityholder irrevocably appoints the Company as its attorney in accordance with clause 29.7 on default by it of performance of its obligations under this clause 15.

### **16 Drag Rights**

#### **16.1 Right to give Drag Notice**

If one or more Class A Securityholders wish to sell 40% or more of the Class A Shares to one or more Buyers (including pursuant to an IPO), they may give a Drag Notice to each other Securityholder (with a copy to the Company).

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### 16.2 Contents of Drag Notice

A Drag Notice must state:

- (a) the identity of the Class A Securityholders wishing to sell their Class A Shares;
- (b) the identity of the proposed Buyer (except where the identity of the Buyer is unknown due to the proposed sale being by way of auction or dual-track Trade Sale or IPO);
- (c) subject to the equalisation principle in clause 2.4(a), the number of Class A Securities proposed to be sold by the relevant Class A Securityholders and the percentage of the total number of each type of Class A Securities proposed to be sold (the **Drag Proportion**);
- (d) the sale price (which need not be a cash price) for each Security (**Drag Price**) to be sold by the relevant Class A Securityholders (except where the sale price is unknown due to the proposed sale being by way of auction or dual-track Trade Sale or IPO, in which case a minimum sale price must be specified or where the sale price is unknown due to the proposed sale being by way of IPO, in which case a price range must be specified) and any other terms of the proposed sale (including any representations, warranties and indemnities to be given) by the relevant Class A Securityholders to the Buyer (**Drag Sale Terms**), which must have been negotiated on an arm's-length basis; and
- (e) that the relevant Class A Securityholders require the other Securityholders to sell the Drag Proportion of their Securities (**Dragged Securities**) to the Buyer at the Drag Price per Security and on terms substantially the same as and no less favourable than the terms contained in the Drag Sale Terms.

For the purposes of clause 16.2(d), if the sale price is not a cash price, the Drag Price must be:

- (f) made up of securities that are listed on a recognised securities exchange; or
- (g) formulated to include an option for any Securityholder holding Dragged Securities to accept the Fair Market Value of the securities in cash in lieu of the securities.

### 16.3 Effect of Drag Notice

If a Drag Notice is given (and has not been withdrawn pursuant to clause 16.4), then:

- (a) the Securityholders must sell their Dragged Securities to the Buyer on the terms stated in the Drag Notice, provided that the Securityholders are not required to sell their Initial Securities for a combined price that is less than the Scheme Price (and if the Drag Price is less than the Scheme Price the Class A Securityholders will be required to ensure that the Securityholders receive not less than the Scheme Price for the sale of their Initial Securities);
- (b) the parties must do all things and execute such documentation as is reasonably necessary or is reasonably required by the relevant Class A Securityholders to effect the proposed sale to the Buyer, including taking all steps necessary to obtain any Transfer Approvals that are required;
- (c) the relevant Class A Securityholders must not complete the proposed sale to the Buyer unless at the same time, the Buyer offers to buy all the Dragged Securities of the other Securityholders on the terms stated in the Drag Notice (subject to clause 16.3(a)); and
- (d) the relevant Class A Securityholders may require each other Securityholder to give reasonable representations, warranties and indemnities under any agreements relating to the purchase of such Dragged Securities, the Business or the Group, provided that such representations and warranties are given on an equivalent basis by the relevant Class A Securityholders.

**16.4 Withdrawal of Drag Notice**

- (a) A Drag Notice may be withdrawn by the relevant Class A Securityholders at any time by written notice to each other Securityholder (with a copy to the Company).
- (b) If the Drag Notice is withdrawn, each other Securityholder must be given an Invitation to Tag in respect of the Securities proposed to be sold, if required by clause 17.1.

**16.5 Power of attorney**

Each Securityholder irrevocably appoints the Company as its attorney in accordance with clause 29.7 on default by it of performance of its obligations under this clause 16.

**17 Tag Along Rights****17.1 Invitation to Tag**

If one or more Class A Securityholders intend to sell:

- (a) in the case of an IPO, any of their Class A Shares; or
- (b) in all other cases, including pursuant to a Trade Sale, 40% or more of the Class A Shares,

to one or more Buyers, and they have not issued a Drag Notice to the other Securityholders (or have withdrawn such Drag Notice), the relevant Class A Securityholders must give an Invitation to Tag to each other Securityholder (with a copy to the Company).

**17.2 Contents of Invitation to Tag**

An Invitation to Tag must state:

- (a) the identity of the proposed Buyer (except where the identity of the Buyer is unknown due to the proposed sale being by way of auction or dual-track Trade Sale or IPO);
- (b) subject to the equalisation principle in clause 2.4(a), the number of Class A Securities proposed to be sold by the relevant Class A Securityholders and the percentage of the total number of each type of Class A Securities proposed to be sold (the **Tag Proportion**);
- (c) the sale price for each Security (except where the sale price is unknown due to the proposed sale being by way of auction or dual-track Trade Sale or IPO, in which case a minimum sale price must be specified or where the sale price is unknown due to the proposed sale being by way of IPO, in which case a price range must be specified) (**Tag Price**) to be sold by the Class A Securityholders (which need not be cash consideration) and any other terms of the proposed sale (including any representations, warranties and indemnities to be given) by the relevant Class A Securityholders to the Buyer (**Tag Terms**);
- (d) that:
  - (i) where AOG L.P. is a Class B Securityholder, each AOG L.P. Limited Partner has an option (**Tag Option**) to direct AOG L.P. to direct the relevant Class A Securityholders to include in the sale to the Buyer the Tag Proportion of the AOG L.P. Limited Partner's Proportionate Class B Securities (the **Tagged Securities**); and

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- (ii) in respect of Class A Securityholders and Class B Securityholders other than AOG L.P., each such Securityholder has an option (**Tag Option**) to direct the relevant Class A Securityholders to include in the sale to the Buyer the Tag Proportion of the Securityholder's Securities (the **Tagged Securities**),  
in each case at the Tag Price per Tagged Security and on terms no less favourable to the Securityholder than the terms contained in the Tag Terms; and
- (e) the period during which the Tag Option may be exercised, which must not be less than 10 Business Days after the date of the Invitation to Tag.

### 17.3 Exercise of a Tag Option

A Tag Option may be exercised by notice in writing to the Class A Securityholders (with a copy to the Company) within the exercise period stated in the Invitation to Tag. Any exercise of a Tag Option must be for all Tagged Securities and is irrevocable.

### 17.4 Effect of exercise of Tag Option

If a Securityholder exercises its Tag Option (or an AOG L.P. Limited Partner directs AOG L.P. to exercise the Tag Option):

- (a) the Securityholder must sell all Tagged Securities to the Buyer on the terms stated in the Invitation to Tag;
- (b) the parties must do all things and execute such documentation as is reasonably necessary or is reasonably required by the relevant Class A Securityholders to effect the proposed sale to the Buyer;
- (c) the relevant Class A Securityholders must not complete the proposed sale to the Buyer unless at the same time, the Buyer offers to buy all the Tagged Securities of each Securityholder for which a valid notice of exercise has been provided on the terms stated in the Invitation to Tag; and
- (d) the relevant Class A Securityholders may require the relevant Securityholders to give reasonable representations and warranties under any agreements relating to the purchase of such Tagged Securities, the Business or the Group, provided that such representations and warranties are given on an equivalent basis by the Class A Securityholders.

### 17.5 Power of attorney

Each Securityholder irrevocably appoints the Company as its attorney in accordance with clause 29.7 on default by it of performance of its obligations under this clause 17.

## 18 Compulsory Transfer Events

### 18.1 Defaulting Securityholder or Defaulting AOG L.P. Limited Partner

If:

- (a) a Compulsory Transfer Event is committed by or occurs in respect of a Securityholder (a **Defaulting Securityholder**) or an AOG L.P. Limited Partner (a **Defaulting AOG L.P. Limited Partner**); and
- (b) in the case of a:
  - (i) Defaulting Securityholder other than where paragraph (b)(ii) applies, any other Shareholder (an **Aggrieved Shareholder**) gives a notice to the Defaulting Securityholder which complies with clause 18.2 (a **Defaulting Securityholder Notice**); or



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- (ii) Defaulting AOG L.P. Limited Partner where the applicable Compulsory Transfer Event committed or occurring is one set out in:
  - (A) paragraph (b) of the definition of Compulsory Transfer Event; or
  - (B) paragraph (b)(v) or (b)(vi) of the definition of Material Default,
 any Shareholder other than AOG L.P. (an **Aggrieved Shareholder**) gives a notice to AOG L.P. which complies with clause 18.2 (a **Defaulting AOG L.P. Limited Partner Notice**),

then:

- (c) in the case of clause 18.1(b)(i), the Defaulting Securityholder will be deemed to offer to Transfer all of its Securities; or
- (d) in the case of clause 18.1(b)(ii), AOG L.P. will be deemed to offer to Transfer all of the Proportionate Class B Securities of the AOG L.P. Limited Partner that has committed or caused the occurrence of the Compulsory Transfer Event,

to the Aggrieved Shareholders (which, in the case of clause 18.1(b)(ii), will include AOG L.P. in respect of all AOG L.P. Limited Partners other than the Defaulting AOG L.P. Limited Partner), subject to and in accordance with clause 18.4.

### 18.2 Defaulting Securityholder Notice or Defaulting AOG L.P. Limited Partner Notice

- (a) A Defaulting Securityholder Notice or Defaulting AOG L.P. Limited Partner Notice given by an Aggrieved Shareholder:
  - (i) must state that the notice is given under clause 18;
  - (ii) must identify the circumstance which has caused:
    - (A) the recipient to be a Defaulting Securityholder; or
    - (B) the relevant AOG L.P. Limited Partner to be a Defaulting AOG L.P. Limited Partner;
  - (iii) must be given within 60 Business Days after the Aggrieved Shareholder becomes aware of the relevant circumstance in respect of which the notice is given; and
  - (iv) may only be given if the relevant Compulsory Transfer Event has not been cured, remedied or otherwise addressed to the satisfaction of the relevant Aggrieved Shareholder, acting reasonably, at the time the Defaulting Securityholder Notice or Defaulting AOG L.P. Limited Partner Notice is given.
- (b) A copy of the Defaulting Securityholder Notice or Defaulting AOG L.P. Limited Partner Notice must be given to each other Securityholder and the Company.

### 18.3 Suspension of voting rights

For the duration of the Default Period that arises in respect of:

- (a) a Defaulting Securityholder, any Director appointed by the Defaulting Securityholder or its Affiliates; and
- (b) a Defaulting AOG L.P. Limited Partner, if the Defaulting AOG L.P. Limited Partner holds more than 50% of the AOG L.P. Units then on issue, any Director appointed by AOG L.P. or its Affiliates,

will not be entitled to exercise any voting rights at a meeting of the Board.

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### 18.4 Transfer of Securities

- (a) If a Defaulting Securityholder Notice or Defaulting AOG L.P. Notice is given in accordance with clauses 18.1 and 18.2, then this clause 18.4 will apply.
- (b) In respect of the deemed offer of Securities or Proportionate Class B Securities contemplated under clause 18.1(c) or 18.1(d):
- (i) the Company will:
    - (A) prepare a form of **Compulsory Transfer Notice** in accordance with this clause 18.4 and deliver that to each Securityholder within 15 Business Days after the Defaulting Securityholder Notice or Defaulting AOG L.P. Notice is given; and
    - (B) take such other actions as are contemplated to be taken by the Company for the purposes of this clause 18.4;
  - (ii) the Compulsory Transfer Notice will be deemed to be given by the Defaulting Securityholder or AOG L.P., as applicable;
  - (iii) the Compulsory Transfer Notice must:
    - (A) specify the number of Securities held by the Defaulting Securityholder or relevant Proportionate Class B Securities held by AOG L.P. (**Compulsory Transfer Securities**) and state that, subject to clause 13.1, those Securities are irrevocably offered for sale at the cash price in Australian dollars to be determined in accordance with clause 18.6 (**Compulsory Transfer Price**); and
    - (B) contain an offer to each Aggrieved Shareholder (which, in the case of clause 18.1(b)(ii), will include AOG L.P. in respect of all AOG L.P. Limited Partners other than the Defaulting AOG L.P. Limited Partner) for the number of Securities that represents that Aggrieved Shareholder's proportionate entitlement of the Compulsory Transfer Securities. Each Aggrieved Shareholder's proportionate entitlement to the Compulsory Transfer Securities must be as near as practicable to the proportions in which those Aggrieved Shareholders hold Shares (excluding the Defaulting Securityholder and any Affiliate of that Defaulting Securityholder, or the Proportionate Class B Securities held by the Defaulting AOG L.P. Limited Partner and any Affiliate of the Defaulting AOG L.P. Limited Partner, as applicable); and
  - (iv) subject to clause 13.1, the Compulsory Transfer Notice constitutes an unconditional offer to sell the Compulsory Transfer Securities for the Compulsory Transfer Price which must remain open for acceptance by the Aggrieved Shareholders for a period of 30 Business Days after the Compulsory Transfer Price is finally determined in accordance with clause 18.6 (**Compulsory Transfer Offer Period**).
- (c) At any time during the Compulsory Transfer Offer Period, any of the Aggrieved Shareholders may by notice in writing to the Defaulting Securityholder or AOG L.P. (as applicable) (with a copy to be provided to the other Shareholders and the Company):
- (i) reject all of the Securities offered to it;
  - (ii) accept all of the Securities offered to it;

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- (iii) accept all of the Securities offered to it and state what additional number of Securities it would be prepared to purchase; or
  - (iv) in respect of Aggrieved Shareholders who hold at least 5% of Shares only, give an Exit Notice pursuant to clause 13.1(b).
- (d) Where an Aggrieved Shareholder gives notice under clause 18.4(c)(iii) that it is prepared to purchase an additional number of Securities to those offered, for the purposes of this clause 18.4, the Aggrieved Shareholder will be treated as having also accepted the additional Securities although the allocation of any Securities is subject to the terms of this Deed.
- (e) If an Aggrieved Shareholder gives no notice within the Compulsory Transfer Offer Period, it is deemed to have rejected all of the Securities offered to it.
- (f) If an Aggrieved Shareholder accepts Securities under clauses 18.4(c)(ii) or 18.4(c)(iii), it must do so unconditionally, or conditional only upon a Transfer Approval being received within 60 Business Days after the Aggrieved Shareholder gives a notice accepting Securities in accordance with clause 18.4(c) on terms acceptable to the Aggrieved Shareholder, acting reasonably.
- (g) The Compulsory Transfer Securities will be allocated between the accepting Aggrieved Shareholders as follows:
- (i) to accepting Aggrieved Shareholders in their relevant proportions as noted in the Compulsory Transfer Notice;
  - (ii) any excess of the Securities after allocation under clause 18.4(g)(i) will be allocated amongst accepting Aggrieved Shareholders who have not already been allocated the maximum number of Securities specified by them under clause 18.4(c), which allocation will be in, as near as practicable, the proportions in which those Aggrieved Shareholders hold Securities, but not exceeding the maximum number of Securities specified by an Aggrieved Shareholder under clause 18.4(c); and
  - (iii) any excess of the Securities after allocation under clauses 18.4(g)(i) and 18.4(g)(ii) will be allocated in the same manner as specified in clause 18.4(g)(ii), with further rounds of the allocations (if necessary) being made in the same manner until all Securities are allocated.
- (h) The Company shall notify the Securityholders of the allocations effected under clause 18.4(g) and any relevant calculations indicating how allocations were made within two Business Days following the end of the Compulsory Transfer Offer Period. Where the number of Securities which would otherwise be allocated to an Aggrieved Shareholder includes a fraction, that fraction will be rounded up or down as determined by the Company in good faith.
- (i) An Aggrieved Shareholder may nominate an Affiliate or Third Party (or a combination of Affiliates and Third Parties) (**Nominee**) to accept some or all of the Securities allocated to the Aggrieved Shareholder under clause 18.4(h) by giving written notice to the Company and each Securityholder within two Business Days after the Aggrieved Shareholder is notified of its allocation.
- (j) The transfer of the Compulsory Transfer Securities allocated to the Aggrieved Shareholders under clause 18.4(g) (and Nominees, if applicable) must be completed on the 10<sup>th</sup> Business Day after the later of the:
- (i) last day of the Compulsory Transfer Offer Period; and

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- (ii) if the acceptance of Securities was conditional on the receipt of Transfer Approvals and those Transfer Approvals have been received in the time contemplated in clause 18.4(f), the date on which the last Transfer Approval on which any of the acceptances is conditional (if any) has been received, when the Defaulting Securityholder or AOG L.P. must sell and the accepting Aggrieved Shareholders (and Nominees, if applicable) must purchase the allocated Compulsory Transfer Securities at the Compulsory Transfer Price. If any Compulsory Transfer Securities are allocated to a Nominee, the requirements of clause 27 must be complied with at the same time.
- (k) If acceptances are not received in respect of all of the Compulsory Transfer Securities, the Company may require the Defaulting Securityholder or AOG L.P. to Transfer the remaining Securities to any Third Party or Third Parties determined by the Board within 180 days after the last day of the Compulsory Transfer Offer Period at the Compulsory Transfer Price.
- (l) If the Defaulting Securityholder or AOG L.P. retains any of the Compulsory Transfer Securities after the expiry of the time period described in clause 18.4(k), the Defaulting Securityholder or AOG L.P. will not be required to Transfer any more of the remaining Compulsory Transfer Securities in accordance with this clause 18.4.

### 18.5 Buy-back

Notwithstanding clause 18.4:

- (a) before the Company issues a Compulsory Transfer Notice in accordance with clause 18.4(b)(i)(A), the Board may determine that all of the Compulsory Transfer Securities will be bought-back, redeemed, repaid or cancelled (which may be by way of a capital reduction) at the Compulsory Transfer Price; and
- (b) if the Board makes such a determination:
  - (i) the parties will not need to comply with the procedures set out in clause 18.4; and
  - (ii) each party must take all necessary steps, including voting in favour of any required shareholder resolutions, to facilitate the buy-back, redemption, repayment or cancellation as soon as reasonably practicable after the Board has made the relevant determination.

### 18.6 Determination of Compulsory Transfer Price

If clause 18.4 or 18.5 applies, the Compulsory Transfer Price is to be the fair market value determined by the Board as a Board Reserved Matter (acting reasonably) within 20 Business Days after the Defaulting Securityholder Notice or Defaulting AOG L.P. Limited Partner Notice is given, however if:

- (a) the Board does not make such a determination; or
- (b) within 10 Business Days after the Board makes such a determination, the Defaulting Securityholder or AOG L.P. objects to the determination,

then:

- (c) where the Compulsory Transfer Event is solely an Insolvency Event or Change of Control, the Fair Market Value of the Compulsory Transfer Securities; and
- (d) in all other circumstances, 90% of the Fair Market Value of the Compulsory Transfer Securities,

in each case where the Fair Market Value is determined in accordance with clause 19.

**18.7 Power of attorney**

Each Securityholder irrevocably appoints the Company as its attorney in accordance with clause 29.7 on default by it of performance of its obligations under this clause 18.

**18.8 Expert determination**

- (a) If a dispute between any of the parties arises in relation to whether a Compulsory Transfer Event has occurred or the application of this clause 18, any party may give a notice to the other parties setting out details of the dispute.
- (b) The parties must appoint a qualified legal expert, who must be a Queen's Counsel or Senior Counsel, to determine the dispute:
  - (i) as agreed by the parties within 5 Business Days after service of the notice under clause 18.8(a); or
  - (ii) failing agreement in accordance with clause 18.8(b)(i), as nominated by the President of the NSW Bar Association from BarADR list on the application of any party.
- (c) The parties must instruct the expert to issue to each party a certificate specifying the determination of the expert with respect to the dispute as soon as practicable and in any event within 30 days following the expert's appointment.
- (d) The parties must promptly provide all information and assistance reasonably requested by the expert.
- (e) The expert appointed under this clause 18.8 acts as an expert and not an arbitrator.
- (f) The expert's determination, including any determination as to payment of expenses arising from the dispute, is final and binding on the parties.

**19 Fair Market Value**

- (a) This clause 19 applies where this Deed requires Fair Market Value to be determined.
- (b) An independent valuer (**Independent Expert**) must be a Suitably Qualified Expert who has no direct or indirect personal interest in the outcome of the decision he or she is requested to make.
- (c) The Independent Expert will be selected by the Board, acting in good faith.
- (d) The matter which the Independent Expert is required to determine must be referred to him or her by written submission of the Company which must state the specific matter to be determined together with all other reasonably relevant matters including any requirements under this Deed relating to that matter.
- (e) The Fair Market Value is to be determined by the Independent Expert adopting commonly utilised valuation methodology in the retirement and aged care communities sector, having regard to the following assumptions and matters:
  - (i) if the Company is carrying on its Business as a going concern, the assumption that it will continue to do so;
  - (ii) the anticipated value of existing Securities in the context of an arm's length sale between a willing vendor and a willing purchaser in then-current market conditions;
  - (iii) with no discount applied by virtue of the fact that the Securities comprise a minority interest;
  - (iv) the rights and other restrictions attached to the Securities;

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- (v) any other information the Independent Expert reasonably thinks fit; and
- (vi) in the case of a determination made for the purposes of clause 18.6 only:
  - (A) any duty payable with respect to the transfer of the Securities; and
  - (B) whether or not the Securities do or do not (taken as a whole) confer any right of control of the Company.
- (f) The Independent Expert will give due weight to any submissions put forward by a party within any time limit prescribed by the Independent Expert in his or her absolute discretion. The Company and the Securityholders must supply the Independent Expert with any information, assistance and co-operation which he or she may request in connection with his or her determination.
- (g) All correspondence between a party and the Independent Expert must be in writing and copied to the Company and each Securityholder.
- (h) The fees and expenses of the Independent Expert will be borne:
  - (i) in the case of a determination for the purposes of clause 18.6, by the Defaulting Securityholder or AOG L.P., as applicable; and
  - (ii) in the case of a determination for the purposes of clause 12.2(a)(ii) or clause 16.2(g), by the Company.
- (i) The Independent Expert need not give reasons for a determination but a party will be entitled to request and receive reasonable information from the Independent Expert in order to determine whether there is a manifest error in the Independent Expert's determination. The Independent Expert must give any information requested under this clause 19(i) to each party.
- (j) The Independent Expert will act as an expert and not as an arbitrator and his or her decision will, in the absence of manifest error, be final and binding on the parties and not subject to review.

### 20 Restraint

#### 20.1 Class B Securityholders not to compete with Company

For the sole purpose of protecting the goodwill of the Group, each Class B Securityholder (an **Obligor**) undertakes with each other Securityholder and the Company that neither the Obligor nor any of its Related Entities will do any one or more of the following:

- (a) be directly or indirectly engaged, concerned or interested in or carrying on any business the same as or substantially similar to or competing directly with that conducted by any Group Member at Completion or the date on which the Obligor ceases to hold any Class B Securities;
- (b) entice (or attempt to entice) away from the Group:
  - (i) any customer of any Group Member;
  - (ii) any supplier to any Group Member; or
  - (iii) any employee of the Company;
- (c) directly or indirectly interfere with the Business or divulge to any person any information concerning the Business or any Group Company or any of their respective dealings, transactions or affairs; or

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- (d) hold or acquire (either directly or indirectly) in aggregate:
  - (i) 5% or more of the securities in an entity; or
  - (ii) an economic interest in 5% or more of an entity, that is a Competitor of the Group.

Each Obligor will procure that its Related Entities comply with the undertaking.

**20.2 Application of covenants**

The covenants in clause 20.1 only apply during each of the specified periods referred to in clause 20.3 in each of the specified areas referred to in clause 20.4.

**20.3 Specified periods**

For the purposes of clause 20.2, the specified periods are:

- (a) the period during which the Obligor is a Securityholder and three years after the date on which the Obligor ceases to be a Securityholder; or if that period is unenforceable,
- (b) the period during which the Obligor is a Securityholder and two years after the date on which the Obligor ceases to be a Securityholder; or if that period is unenforceable,
- (c) the period during which the Obligor is a Securityholder and one year after the date on which the Obligor ceases to be a Securityholder; or if that period is unenforceable,
- (d) the period during which the Obligor is a Securityholder.

**20.4 Specified areas**

For the purposes of clause 20.2, the specified areas are:

- (a) Australia; or if that area is unenforceable,
- (b) New South Wales, Queensland, Victoria, South Australia and Tasmania; or if that area is unenforceable,
- (c) New South Wales, Queensland, Victoria and South Australia; or if that area is unenforceable,
- (d) New South Wales, Queensland and Victoria; or if that area is unenforceable,
- (e) Queensland and Victoria; or if that area is unenforceable,
- (f) Queensland.

**20.5 Exceptions to non-compete undertaking**

The prohibitions and restrictions set out in clause 20.1 will not restrict the Obligors and their Related Entities from:

- (a) holding or acquiring (either directly or indirectly) in aggregate not more than 5% of the issued ordinary shares in the capital of any body corporate listed on a recognised stock exchange; or
- (b) recruiting a person through a recruitment agency (unless the agency targets employees of the Group) or in response to a bona fide published advertisement that is targeted to a wide audience of potential applicants.

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### 20.6 Construction and nature of restrictions

The Obligors acknowledge that each of the prohibitions and restrictions contained in clause 20.1 insofar as it relates to any of the:

- (a) activities referred to in clause 20.1 is separate, distinct and severable from any other activity set out in clause 20.1;
- (b) periods referred to in clause 20.3 is separate, distinct and severable from any other period set out in clause 20.3; and
- (c) areas referred to in clause 20.4 is separate, distinct and severable from any other area set out in clause 20.4;

and the invalidity of such restraint in respect of any such:

- (d) activities will not affect its validity in respect of any of the other activities;
- (e) periods will not affect its validity in respect of any of the other periods; and
- (f) areas will not affect its validity in respect of any of the other areas.

It is the intention of the parties that all combinations of the prohibitions and restrictions will apply and be enforceable and that only those which a Court, in exercising its discretion, may hold to be an unreasonable restraint of trade will be severed.

### 20.7 Remedies

The Obligors acknowledge that:

- (a) each of the prohibitions and restrictions contained in this clause 20 is reasonable as to period, territorial limitations and subject matter;
- (b) each of the prohibitions and restrictions contained in this clause 20 confers a benefit on the Securityholders and the Group which is no more than that which is reasonably and necessarily required by the Securityholders and the Group for the maintenance and protection of the goodwill of the business of the Group; and
- (c) breach of any of the prohibitions and restrictions contained in this clause 20 may not adequately be compensated by an award of damages and any breach by an Obligor of any of those prohibitions and restrictions will entitle the Securityholders and the Company, in addition to any other remedies available at law or in equity, to seek an injunction to restrain the committing of any breach (or continuing breach) of any of those prohibitions or restrictions.

### 20.8 Application to AOG L.P.

While AOG L.P. is a Class B Securityholder:

- (a) the provisions of this clause 20 apply to the AOG L.P. Limited Partners as if any reference to:
  - (i) an Obligor is a reference to an AOG L.P. Limited Partner; and
  - (ii) Class B Securities is a reference to AOG L.P. Units;
- (b) AOG L.P. will do all things necessary or requested by the Company or any Class A Securityholder to ensure that all AOG L.P. Limited Partners comply with this clause 20 (as modified by this clause 20.8); and
- (c) AOG L.P. undertakes to report any breach of this clause 20 (as modified by this clause 20.8) by any AOG L.P. Limited Partner to the Company and each Class A Securityholder immediately upon becoming aware of such breach.



**21 Confidential Information****21.1 Disclosure of Confidential Information**

- (a) A party may not disclose any Confidential Information to any person except:
- (i) where the Confidential Information relates to a Securityholder or the Company, with the prior written consent of the party to whom the Confidential Information relates;
  - (ii) on a confidential basis to its Representatives, or to an existing or proposed financier (or its advisers) to a Securityholder, or the Company;
  - (iii) in the case of AOG L.P., it may disclose Confidential Information it receives in its capacity as a Securityholder to AOG L.P. Limited Partners and in turn the AOG L.P. Limited Partners may disclose Confidential Information to an Affiliate, or each of their respective Representatives, financiers and advisers;
  - (iv) if it is required to do so by an applicable law or regulation or the Listing Rules; and
  - (v) that a Brookfield Securityholder may disclose Confidential Information:
    - (A) to an Affiliate of Brookfield;
    - (B) as part of an IPO; or
    - (C) to a prospective buyer of Securities or a buyer of the Business who gives an appropriate confidentiality deed poll for the benefit of the Company and each Securityholder.
- (b) A party other than a Class A Securityholder who has received Confidential Information from another party under this Deed must not use it except for the purpose of exercising its rights or performing its obligations under this Deed.

**21.2 Disclosure by recipient of Confidential Information**

Any party disclosing information under clause 21.1 must use all reasonable endeavours to ensure that each recipient of the information complies in all respects with the disclosing party's obligations under this clause 21 as if the recipient were a party to this Deed.

**21.3 Ceasing to hold Securities**

- (a) If a Securityholder other than a Class A Securityholder ceases to hold Securities, it must immediately destroy or deliver to the Company all documents or other materials containing or referring to the Confidential Information that are in its power or control, other than documents required to be retained under applicable legal and compliance requirements.
- (b) The rights and obligations of a holder of Securities under this clause 21 continue to apply to such holder even after it ceases to hold Securities.

**22 GST**

- (a) Any consideration or amount payable under this Deed, including any non-monetary consideration (as reduced in accordance with paragraph (d)(i) if required) (**Consideration**) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this Deed, an additional amount (**Additional Amount**) is payable by the party providing consideration for the Supply (**Recipient**) equal to the amount of GST payable on that

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- Supply as calculated by the party making the Supply (**Supplier**) in accordance with the GST Law.
- (c) The Additional Amount payable under paragraph (b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice within the same month where reasonably practicable and, in any event, no later than 14 days after the time of payment of the Additional Amount.
  - (d) If for any reason (including, without limitation, the occurrence of an Adjustment Event) the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under paragraph (b):
    - (i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
    - (ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
    - (iii) the Supplier must notify the Recipient of the refund, credit or further amount within the same month where reasonably practicable and, in any event, no later than 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate. If there is an Adjustment Event in relation to the Supply, the requirement for the Supplier to notify the Recipient will be satisfied by the Supplier issuing to the Recipient an Adjustment Note within the same month where reasonably practicable and, in any event, no later than 14 days after becoming aware of the occurrence of the Adjustment Event.
  - (e) Despite any other provision in this Deed, if an amount payable under or in connection with this Deed (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred before the Additional Amount is calculated.
  - (f) Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of the GST Group of which the party is a Member is entitled.

### 23 Representations and Warranties

#### 23.1 Capacity representations and warranties

- (a) Each Securityholder severally represents and warrants that:
  - (i) they have full power and authority to enter into and perform their obligations under this Deed;
  - (ii) they have taken all necessary action to authorise the execution, delivery and the performance of this Deed; and
  - (iii) this Deed constitutes their legal, valid and binding obligations, enforceable in accordance with the Deed's terms.

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- (b) Each Securityholder severally represents and warrants in respect of itself that it:
  - (i) has not and, to its knowledge, none of its agents, consultants, distributors, joint venture partners or other persons acting on its behalf, has taken, directly or indirectly, any action or refrained from taking any action that would cause it or any of its Related Entities to be in violation of any Anti-Bribery and Corruption Laws;
  - (ii) and each of its Related Entities have established and continue to maintain reasonable internal policies, procedures, and controls reasonably designed to ensure compliance with Anti-Bribery and Corruption Laws, including reasonable policies, procedures, and controls reasonably designed to ensure that it and its Related Entities' agents or other third parties do not make payments in violation of Anti-Bribery and Corruption Laws;
  - (iii) and its Related Entities:
    - (A) maintain their books and records in a manner that, in reasonable detail, accurately and fairly reflect the transactions and disposition of their assets; and
    - (B) maintain a system of internal accounting controls sufficient to provide reasonable assurances that:
      - (1) transactions are executed and access to assets is given only in accordance with management's authorisation;
      - (2) transactions are recorded as necessary to permit preparation of periodic financial statements and to maintain accountability of corporate assets; and
      - (3) recorded assets are compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences between recorded and actual assets;
  - (iv) it has not and, to its knowledge, none of its agents, consultants, distributors, joint venture partners or other persons acting on its behalf, has taken any act in furtherance of an offer, payment, promise to pay, authorisation, or ratification of the payment, directly or indirectly, of any gift, money or anything of value to a person, including a Public Official, with the intention of improperly influencing such person in order to obtain or retain business, or to secure any improper advantage (for example a tax rate lower than allowed by law); and
  - (v) none of its officers, directors, partners, principals, employees, shareholders or agent employees is a Public Official.

**23.2 Continuing obligation**

The representations and warranties given under clause 23.1 are given as at the date of this Deed and repeated daily for the term of this Deed.

**24 Term**

**24.1 Commencement**

This Deed comes into effect on the date of this Deed, and, subject to clause 24.2, remains in effect until:

- (a) with respect to a Securityholder, the Securityholder has transferred all of their Securities in a manner permitted by this Deed;

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- (b) the parties agree to terminate this Deed; or
- (c) completion of an IPO.

### 24.2 Certain provisions continue

The termination of this Deed with respect to a party does not affect:

- (a) any obligation of that party which accrued prior to that termination and which remains unsatisfied; and
- (b) clauses 21 or 23 or any other provision of this Deed which is expressed to come into effect on, or to continue in effect after, termination of this Deed.

## 25 Limitation of Liability – General Partner

### 25.1 Capacity of General Partner

Each person that is expressed to enter into this Deed as a general partner of a limited partnership (**General Partner**) does so in that, and in no other capacity.

### 25.2 Obligations only as general partner

The obligations and liabilities of whatever kind undertaken or incurred by, or devolving upon, a General Partner under or in respect of this Deed (**Obligations**) are incurred by that General Partner solely in its capacity as general partner of its Securityholder, and a General Partner will cease to have any obligation under this Deed if the General Partner ceases for any reason to be the general partner of its Securityholder. Each General Partner must, prior to ceasing to be the general partner of its Securityholder, cause any successor of it as the general partner of its Securityholder to execute such documents required by the Company to ensure that this Deed is binding on its successor.

### 25.3 Scope of liability

No General Partner will be liable to pay or satisfy any Obligations except out of the assets, property and right, real and personal, of any value whatsoever against which it is entitled to be indemnified in respect of any liability incurred as general partner of its Securityholder (**LP Assets**).

### 25.4 Limitation of liability

If a party does not recover all money owing to it arising from non-performance or breach of the Obligations, it may not seek to recover the shortfall by applying to have any General Partner wound up or proving in the winding up of a General Partner.

### 25.5 General Partner's liability

Notwithstanding anything in this clause 25, each General Partner is liable and is not released to the extent that a liability under this Deed arises out of a General Partner's own fraud, negligence or default, which disentitles it from an indemnity out of the LP Assets in relation to the relevant liability.

### 25.6 Attorney

No attorney or agent appointed in accordance with this Deed has the authority to act on behalf of a Securityholder in a way which exposes that Securityholder to any liability in excess of any amount for which the Securityholder may be liable under clause 25.1.

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**25.7 Liability of the Securityholders**

The maximum aggregate amount which the other parties to this Deed may recover from a Securityholder in respect of all claims arising from or in relation to any breach of a warranty or obligation under this Deed is limited, from time to time, to the amount invested by that Securityholder under this Deed.

**26 Limitation of Liability – Trustee**

- (a) A Trustee enters into this Deed only in its capacity as trustee of the relevant trust and in no other capacity. A liability arising under or in connection with this Deed is limited to and can be enforced against a Trustee only to the extent to which it can be satisfied out of assets of the relevant trust out of which the Trustee is actually indemnified for the liability. This limitation of the Trustee's liability applies despite any other provision of this Deed or any other document and extends to all liabilities and obligations of the Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this Deed.
- (b) The parties may not sue a Trustee in any capacity other than as trustee of the relevant trust, including seeking the appointment of a receiver (except in relation to property of the relevant trust), a liquidator, an administrator or any similar person to that Trustee or prove in the liquidation, administration or arrangement of or affecting that Trustee (except in relation to property of the relevant trust).
- (c) No attorney, agent, receiver or receiver and manager appointed in accordance with this Deed has authority to act on behalf of a Trustee in a way which exposes that Trustee to any personal liability.
- (d) A Trustee is not obliged to do or refrain from doing anything under this Deed (including, without limitation, incur any liability) unless that Trustee's liability is limited in the same manner as set out in clauses 26(a) to 26(c).

**27 Accession Deed and New Securityholder Requirements****27.1 New Securityholder**

Subject to clause 27.5, the Company may only issue Securities to a person not a party to this Deed if the person (**New Securityholder**) has executed and delivered to the Company an Accession Deed (except for an issue in connection with an IPO).

**27.2 Transferee**

Subject to clause 27.5, a Securityholder who wishes to Deal with its Securities (or an Aggrieved Shareholder who wishes to allocate Securities to a Nominee under clause 18.4(i)) must ensure that any proposed transferee that is not a Securityholder (**New Securityholder**) executes and delivers an Accession Deed to the Company (except in the case of an IPO or where the New Securityholder is already party to this Deed).

**27.3 Acknowledgement by existing parties**

Where a New Securityholder is required to execute an Accession Deed, and does so, the parties agree to comply with all obligations and covenants agreed to by that Securityholder under this Deed, for the benefit of the New Securityholder.

**27.4 New Securityholder details**

Following any transfer or issuance of Securities, the Company must update Schedule 1 as necessary to document the details of any New Securityholder.

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### 27.5 Further restrictions and registration requirements

- (a) Unless the Securityholders otherwise agree in writing, the Company must not issue Securities and a Securityholder must not (and must not attempt to) Deal with its Securities:
  - (i) if the New Securityholder or transferee is a Competitor;
  - (ii) if the issue or transfer to that New Securityholder or transferee would result in a breach of any law by the New Securityholder, transferee or the Company or would result in any material adverse circumstance occurring under any law affecting the Company;
  - (iii) in the case of a transfer, unless the transferee pays to each other Securityholder and the Company all amounts due from the transferor to each other Securityholder or the Company (as the case may be) under this Deed;
  - (iv) unless the New Securityholder or transferee obtains all necessary Transfer Approvals either unconditionally or subject only to conditions which do not adversely affect:
    - (A) the Group or its activities; or
    - (B) any other Securityholder's securityholding in the Company.
- (b) The Company must not register any New Securityholder as the holder of any Security until a Deed of Accession has been duly executed and delivered to the Company.
- (c) No person may be registered as a holder of any Security unless each requirement in this clause 27 has been satisfied, unless the Securityholders agree otherwise in writing.

### 28 Notices and Other Communications

#### 28.1 Form – all communications

Unless expressly stated otherwise in this Deed, all notices, certificates, consents, approvals, waivers and other communications in connection with this Deed must be:

- (a) in writing;
- (b) in English or accompanied by a certified translation into English;
- (c) signed by an authorised representative of the sender; and
- (d) marked for the attention of the person identified set out opposite the party's name in Schedule 1 or, if the recipient has notified otherwise, then marked for attention in the way last notified.

#### 28.2 Form – communications sent by email

Communications sent by email need not be marked for attention in the way stated in clause 28.1. However, the email must state the first and last name of the sender. Communications sent by email are taken to be signed by the named sender.

#### 28.3 Delivery

Communications must be:

- (a) left at the address set out opposite the party's name in Schedule 1; or
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address set out opposite the party's name in Schedule 1; or
- (c) sent by email to the email address set out opposite the party's name in Schedule 1; or

(d) given in any other way permitted by law.

However, if the intended recipient has notified a changed address or email address, then communications must be to that address or email address.

**28.4 When effective**

Communications take effect from the time they are received or taken to be received under clause 28.5 (whichever happens first) unless a later time is specified.

**28.5 When taken to be received**

Communications are taken to be received:

(a) if sent by post, three Business Days after posting (or seven Business Days after posting if sent from one country to another); or

(b) if sent by email:

(i) when the sender receives an automated message confirming delivery; or

(ii) four hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,

whichever happens first.

**28.6 Receipt outside business hours**

Despite clauses 28.4 and 28.5, if communications are received or taken to be received under clause 28.5 after 5pm in the place of receipt or on a day that is not a business day in the place to which the communication is sent, they are taken to be received at 9am on the next business day in the place to which the communication is sent and take effect from that time unless a later time is specified.

**29 General**

**29.1 Amendment or variation**

Subject to applicable laws, clause 3.2(b) and item 16 of Schedule 2, for so long as Brookfield is a Securityholder, this Deed may be amended by the Board without Securityholder approval. Each party is bound by any variation of this Deed made pursuant to this clause and notified to the party.

**29.2 Waiver**

A provision of this Deed, or a right created under it, may not be waived except in writing and signed by the party giving the waiver.

**29.3 No merger**

The warranties, undertakings and indemnities in this Deed do not merge on termination of this Deed.

**29.4 Further steps**

Each party agrees, at its own expense, to do anything reasonably requested by another party to give effect to the provisions of this Deed and the transactions contemplated by it.

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### 29.5 Entire agreement

This Deed and the Constitution constitute the entire agreement of the parties about the subject matter and supersede all previous agreements, understandings and negotiations on that subject matter.

### 29.6 Counterparts

This Deed may consist of a number of copies, each signed by one or more parties to the Deed. If so, the signed copies are treated as making up the one document and the date on which the last counterpart is executed is the date of the Deed.

### 29.7 Powers of attorney

(a) Each appointment of an attorney by a Securityholder under clauses 13.8, 15.8, 16.5, 17.5 and 18.7 (**Appointor**) is made on the following terms:

- (i) the Appointor irrevocably appoints the Company as its attorney to complete and execute such instruments and resolutions for and on its behalf as the attorney thinks necessary to give effect to any of the transactions contemplated by the relevant clause;
- (ii) the Appointor agrees to ratify and confirm whatever the attorney lawfully does, or causes to be done, under the appointment;
- (iii) the Appointor agrees to indemnify the attorney against all Claims, demands and costs arising in any way in connection with the lawful exercise of all or any of the attorney's powers and authorities under that appointment except in respect of Claims, demands and costs arising as a result of that attorney's fraud, negligence or wilful default; and
- (iv) the Appointor agrees to deliver to the Company on demand any power of attorney, instrument of transfer or other instruments as the Company may require for the purposes of any of the transactions contemplated by the relevant clause.

(b) Whenever an Appointor appoints an attorney under clauses 15.8, 16.5, 17.5 and 18.7, it hereby appoints the Company as its agent as follows:

- (i) the Company will hold the purchase moneys on trust for the Appointor;
- (ii) receipt by the Company of the purchase moneys will be good discharge of the buyer's obligation to the Appointor and the buyer will not be bound to see to the application of it; and
- (iii) the Company must pay the purchase moneys to the Appointor on surrender of the relevant share certificates or other instruments of ownership,

and if the relevant default relates to the provision of share certificates, the Appointor indemnifies the buyer against any Claims, demands and costs arising in any way in connection with the non-provision of those share certificates.

### 29.8 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this Deed expressly states otherwise.

### 29.9 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.



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**29.10 No liability for loss**

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this Deed.

**29.11 Approvals and consents**

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

**30 Governing Law**

**30.1 Governing law**

This deed is governed by the law in force in New South Wales.

**30.2 Jurisdiction**

Each party submits to the non-exclusive jurisdiction of the courts of New South Wales and courts of appeal from them. Each party waives any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

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### Schedule 1

#### Initial Parties

	Name	Notice Details
1	BSREP III Australia Sub L.P.	Address: Level 22, 135 King Street, Sydney NSW 2000
		Email: Nick.Britten-Jones@brookfield.com
		Attention: General Counsel, Brookfield Property Group Australia
2	BSREP III Hydra Bermuda Sub Brookfield L.P.	Address: 73 Front Street, Hamilton HM 12, Bermuda
		Email: Jane.Sheere@brookfield.com
		Attention: Secretary
3	BSREP III Hydra Bermuda Sub L.P.	Address: 73 Front Street, Hamilton HM 12, Bermuda
		Email: Jane.Sheere@brookfield.com
		Attention: Secretary
4	BSREP III Hydra Bermuda Sub-B L.P.	Address: 73 Front Street, Hamilton HM 12, Bermuda
		Email: Jane.Sheere@brookfield.com
		Attention: Secretary
5	Company	Address: Level 22, 135 King Street, Sydney NSW 2000
		Email: Nick.Britten-Jones@brookfield.com
		Attention: General Counsel, Brookfield Property Group Australia

**Schedule 2****Board Reserved Matters**

The Board Reserved Matters are as follows.

- 1 **(Amendment of Constitution)** Any material amendment or variation of the Constitution, regardless of whether that amendment or variation is approved by Shareholders.
- 2 **(Winding up)** Taking any step to dissolve or wind up any Group Company.
- 3 **(Number of Directors)** Altering the maximum number of Directors on the Board other than in connection with an IPO.
- 4 **(Related party transactions)** Entering into any contract or other arrangement with or making any payment to (excluding any reimbursement of expenses related to the Business; the payment of any distribution or other amount payable in respect of a Security or any other matter specifically contemplated by this Deed), a Securityholder or their Affiliate, other than:
  - (a) a contract or arrangement with, or payment to, all Securityholders in connection with an Exit in accordance with the terms of this Deed or the Constitution;
  - (b) a contract, arrangement or payment that is on arm's length terms; or
  - (c) issuing Class A2 Notes and Class B2 Notes to Securityholders in accordance with clause 11.4.
- 5 **(Change in Business)** Ceasing to carry on, or fundamentally altering the nature of, the Business from that carried on by the Target group at the date of this Deed.
- 6 **(Non-pro rata buy-backs)** Buying back Securities issued by the Company, other than on a pro rata basis.
- 7 **(Variation of rights)** Varying the rights attaching to a class of Securities where Class B Securities are treated adversely to Class A Securities. For the avoidance of doubt, an action that:
  - (a) affects Class A Securities and Class B Securities equally; or
  - (b) is expressly contemplated or permitted by this Deed or the Constitution,
 will not constitute a variation of the rights attaching to a class of Securities where Class B Securities are treated adversely to Class A Securities.
- 8 **(Accounting standards and Financial Year)** Materially altering the accounting standards previously adopted by the Group for the preparation or presentation of individual or consolidated financial statements or altering the Financial Year applicable to the Group, except if required by law.
- 9 **(Non-cash Dividends)** Declaring, making or paying a Dividend other than in cash.
- 10 **(New Securities)** Issuing, allotting or granting any Securities other than as contemplated by clauses 11.3 or 12.
- 11 **(Auditors)** Appointing or removing the Auditor except in connection with the appointment of an Auditor that is a 'Big 4' accounting firm.
- 12 **(Financial indebtedness)** Permitting the Group's aggregate indebtedness to exceed 65% of the value of the Established Business.
- 13 **(Class of securities)** Creating any new class of securities in the Company.
- 14 **(Determining class of securities)** Determining to issue Class A2 Shares to Third Parties in accordance with clause 12.2(c).

# ANNEXURE E

## TOPCO SHAREHOLDERS' DEED CONT

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Shareholders' Deed

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- 15 **(Actions under ROFR)** Determining to buy-back, redeem or cancel ROFR Securities pursuant to clause 15.3(a).
- 16 **(Amendment of this Deed)** making any amendment to this Deed that materially adversely affects the rights of Class B Securityholders.

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### Schedule 3

#### Accession Deed

This Deed Poll is made on

By: **[New party name]** [(ACN **[\*]**)] of **[address]** (the *Acceding Party*).

In favour of: **Hydra RL TopCo Pty Ltd** (ACN 635 012 323) of Level 22, 135 King Street, Sydney NSW 2000 (the *Company*).

Each person who is a party to the Shareholders' Deed (together with the Company, each a *Current Party*).

It is declared as follows.

#### 1 Definitions and Interpretation

##### 1.1 Shareholders' Deed definitions to apply

Subject to clause 1.2, and unless the context requires otherwise, terms defined in the Shareholders' Deed have the same meaning when used in this Deed.

##### 1.2 Definitions

The following definitions apply unless the context requires otherwise.

**Accession Date** means **[date]**.

**Shareholders' Deed** means the 'Shareholders' Deed' dated **[date]** 2019 between the Company and the Current Parties relating to the affairs of the Company.

##### 1.3 Interpretation

Clause 1.2 of the Shareholders' Deed applies in the interpretation of this Deed but as if references to 'this Deed' in the Shareholders' Deed were references to this Deed.

#### 2 Accession

##### 2.1 Accession

With effect from the Accession Date, the Acceding Party accedes to the Shareholders' Deed.

##### 2.2 Rights and Obligations of Acceding Party

Upon accession to the Shareholders' Deed, the Acceding Party is bound by all the terms of the Shareholders' Deed from the Accession Date as if the Acceding Party was, from the Accession Date, a party to the Shareholders' Deed with all the rights and obligations of a party to the Shareholders' Deed in the capacity referred to in clause 2.3.

##### 2.3 Capacity

Upon accession to the Shareholders' Deed, the Acceding Party acknowledges that it will be a Class **[A/B]** Securityholder for the purposes of the Shareholders' Deed and will have rights and obligations as if it were named in the Shareholders' Deed as a Class **[A/B]** Securityholder.

# ANNEXURE E

## TOPCO SHAREHOLDERS' DEED CONT

Shareholders' Deed

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### 3 Representations and Warranties

The Acceding Party represents and warrants to each Current Party:

- (a) **(status)** if it is not an individual, it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;
- (b) **(power)** it has power to enter into this Deed, to comply with its obligations under this Deed and the Shareholders' Deed, and to exercise its rights under this Deed and the Shareholders' Deed;
- (c) **(validity of obligations)** its obligations under this Deed and the Shareholders' Deed are valid and binding and are enforceable against it in accordance with its terms;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this Deed and the Shareholders' Deed, to comply with their obligations and to allow them to be enforced;
- (e) **(transactions permitted)** the execution and performance by the Acceding Party of this Deed, the Shareholders' Deed and each transaction contemplated under this Deed and the Shareholders' Deed do not and will not violate in any respect a provision of:
  - (i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
  - (ii) if not an individual, its constitution or other constituent documents; or
  - (iii) any other document or agreement that is binding on it or its assets; and
- (f) **(insolvency)** an Insolvency Event has not occurred in respect of the Acceding Party.

### 4 Address of Acceding Party for Notices

For the purposes of clause 29 of the Shareholders' Deed, the Acceding Party's details are:

Name	Notice Details
[Acceding Party name]	Address: [address]
	Email: [email]
	Attention: [recipient]

### 5 Costs and Duty

The Acceding Party agrees to pay its own costs arising out of the negotiation, preparation and execution of this Deed.

### 6 General

#### 6.1 Waiver

A provision of this Deed or a right created under it, may not be waived except in writing signed by the party to be bound.

#### 6.2 Entire agreement

This Deed and the Shareholders' Deed constitute the entire agreement of the parties about the subject matter and supersede all previous agreements, understandings and negotiations on that subject matter.

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**6.3 Amendment**

This Deed can only be amended by a document signed by the Acceding Party and each of the Current Parties.

**6.4 Assignment**

The Acceding Party may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the written consent of each of the Current Parties.

**6.5 Severability**

Any provision of this Deed that is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of this Deed nor affect the validity or enforceability of that provision in any other jurisdiction.

**7 Governing Law and Jurisdiction**

**7.1 Governing law**

This deed is governed by the law in force in New South Wales.

**7.2 Jurisdiction**

Each party submits to the non-exclusive jurisdiction of the courts of New South Wales and courts of appeal from them. Each party waives any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

**Executed and delivered as a Deed Poll in [location]**

Each attorney executing this Deed states that he or she has no notice of revocation or suspension of his or her power of attorney.

[Acceding Party execution block to be inserted]

# ANNEXURE E

## TOPCO SHAREHOLDERS' DEED CONT

Shareholders' Deed

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### Schedule 4

#### Agreed Loan Terms

## Loan Note Deed Poll

THIS Deed Poll is made on [\*]

**BY:** Hydra RL TopCo Pty Ltd ACN 635 012 323, a company incorporated in Victoria of Level 22, 135 King Street, Sydney, New South Wales (*Issuer*)

#### RECITALS:

- (A) The Issuer proposes to issue Loan Notes from time to time on the terms of this Deed Poll.
- (B) The Loan Notes will be issued in registered form by inscription in the Register.
- (C) The Issuer enters into this Deed Poll for the benefit of the holders from time to time of Loan Notes.

#### OPERATIVE PROVISIONS:

### 1 Interpretation

#### 1.1 Definitions

Definitions in the Terms and Conditions apply in this Deed Poll unless the relevant term is defined in this Deed Poll.

"Terms and Conditions" in relation to a Loan Note means the Terms and Conditions applicable to that Loan Note set out in Schedule 1.

#### 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and the converse.
- (b) A gender includes all genders.
- (c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a condition, annexure or schedule is a reference to a condition of, or annexure or schedule to, this Deed Poll.
- (f) A reference to a party to this Deed Poll or another agreement or document includes the party's successors and permitted substitutes or assigns.



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- (g) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (h) A reference to "**writing**" includes e-mail, and any means of reproducing words in a tangible and permanently visible form.
- (i) A reference to "**conduct**" includes an omission, statement or undertaking, whether or not in writing.
- (j) Mentioning anything after "**include**", "**includes**" or "**including**" does not limit what else might be included.
- (k) All references to "**time**" are to Sydney time.
- (l) All references to an agreement, document or this Deed Poll are to that agreement, document or this Deed Poll as amended, novated, supplemented or replaced from time to time, except to the extent prohibited by that agreement, document or this Deed Poll (as the case may be).

**1.3 Registration and transfer**

References in this Deed Poll to:

- (a) "**registration**" or "**recording**" include inscription, and "**register**" and "**record**" have a corresponding meaning; and
- (b) "**transfer**" includes transmission.

**2 The Loan Notes****2.1 Creation of Loan Notes**

- (a) Loan Notes are issued in registrable form. Subject to this Deed Poll, the Issuer may create Loan Notes at any time by inscribing the details of those Loan Notes in the Register in accordance with the Terms and Conditions.
- (b) No Loan Note will be created or issued except in accordance with clause 2.2, and once created or issued, the information contained in the Register with respect to that Loan Note will have the effect provided under the Terms and Conditions.

**2.2 Constitution and title**

The Loan Notes are constituted by this Deed Poll and inscription in the Register. Title to them is *prima facie* evidenced for all purposes by inscription in the Register. No certificate or other evidence of title to a Loan Note will be issued by or on behalf of the Issuer unless the Issuer determines otherwise or is required to do so by law.

**2.3 Denomination**

Each Loan Note must be denominated in Australian Dollars.

**2.4 Status**

- (a) The Loan Notes are direct obligations of the Issuer and rank without preference or priority among themselves and at least equally with all present and future unsecured and unsecured obligations of the Issuer (except liabilities otherwise expressed to rank ahead mandatorily preferred by law and subject to laws and principles of equity generally affecting creditors' rights).
- (b) The ranking of Loan Notes is not affected by the date of inscription in the Register.

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## TOPCO SHAREHOLDERS' DEED CONT

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### 2.5 Subordinated to other debt

On a winding up of the Issuer, the rights and obligations of each Noteholder in relation to each Loan Note and amounts owing under each Loan Note are subordinated to all other debt obligations of the Issuer howsoever arising, other than creditors expressed to rank equally with or junior to the Loan Notes.

### 3 Rights and Obligations of Noteholders

#### 3.1 Rights of Noteholders

- (a) A Noteholder is entitled, in respect of each Loan Note for which its name is inscribed in the Register, to the payment of the principal amount and interest in accordance with the Terms and Conditions applicable to that Loan Note.
- (b) The Issuer irrevocably undertakes to make all those payments on the terms set out in this Deed Poll to the extent legally permitted to do so.

#### 3.2 Deed poll and enforcement

This Deed Poll is a deed poll. Each Noteholder has the benefit of this Deed Poll and for the avoidance of doubt can enforce it even though that Noteholder may not be in existence at the time this Deed Poll is executed.

#### 3.3 Noteholders bound

Each Noteholder, and any person claiming through a Noteholder, who asserts an interest in a Loan Note is bound by this Deed Poll.

#### 3.4 Retention of Deed Poll

- (a) The Issuer shall keep an executed counterpart of this Deed Poll for the benefit of Noteholders.
- (b) Each Noteholder is taken to have irrevocably appointed and authorised the Issuer to hold this Deed Poll in New South Wales on behalf of that Noteholder, with the powers expressly delegated to the Issuer and other powers reasonably incidental to those powers.
- (c) The Issuer undertakes to each Noteholder (upon request by that Noteholder) to produce a certified copy or, if necessary the original, of this Deed Poll.

#### 3.5 Terms and conditions of Loan Notes

The Loan Notes are issued upon and subject to:

- (a) this Deed Poll; and
- (b) the Terms and Conditions,
- (c) each of which are binding on the Issuer and the Noteholders and all persons claiming through or under them respectively.

#### 3.6 Name on Register

The person whose name appears in the Register will be treated by the Issuer as the legal and beneficial owner of the relevant Loan Note.

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**4 Governing Law and Jurisdiction**

**4.1 Governing law**

This Deed Poll is governed by the law in force in New South Wales.

**4.2 Jurisdiction**

Each person taking the benefit of or bound by this Deed Poll irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and courts of appeal from them. Each such person waives any right it has to object to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

**5 Power of Attorney**

Each attorney executing this Deed Poll states that he or she has no notice of revocation or suspension of his or her power of attorney.

**EXECUTED** and delivered as a deed poll in Sydney.

**SIGNED, SEALED and DELIVERED** for  
**HYDRA RL TOPCO PTY LTD** by its attorney in  
the presence of:

\_\_\_\_\_  
Signature of witness

\_\_\_\_\_  
Attorney signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

# ANNEXURE E

## TOPCO SHAREHOLDERS' DEED CONT

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### SCHEDULE 1

#### Terms and Conditions of the Loan Notes

*The following are the Terms and Conditions of the Loan Notes.*

The Loan Notes are constituted by the Loan Note Deed Poll (the "**Deed Poll**") dated [●] 2019 executed by **Hydra RL TopCo Pty Ltd** ACN 635 012 323 (**Issuer**) which is available for inspection at the following office of the Issuer:

Level 22, 135 King Street, Sydney, New South Wales.

The Noteholders are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions contained in the Deed Poll.

#### 1 Interpretation

##### 1.1 Definitions

The following definitions apply unless the context requires otherwise.

**"Affiliate"** means, in relation to a person, any other person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control as that person; "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management, policies or activities of a person, whether through the ownership of securities, by contract or agency or otherwise and the term 'person' is deemed to include a partnership.

**"Brookfield Asset Management"** means Brookfield Asset Management Inc.

**"Business Day"** means a day other than Saturday or Sunday during which banks are open for general banking business in Sydney.

**"Day Count Fraction"** means, in respect of calculation of an amount, the actual number of days in the Interest Period in respect of which payment is being made divided by 365.

**"Early Redemption Amount"** for a Loan Note on a redemption date means the aggregate of:

- (a) the Outstanding Principal Amount as at that redemption date; plus
- (b) accrued interest calculated in accordance with condition 3.2(b) from the last Interest Date to that redemption date.

**"Event of Default"** means the occurrence of any of the following:

- (a) an order is made or resolution is passed for the winding up of the Issuer;
- (b) the Issuer enters into or resolves to enter into a scheme of arrangement, compromise or composition with, or assignment for the benefit of, creditors or any class of them;
- (c) the Issuer is or becomes unable to pay its debts as they fall due;
- (d) a liquidator, receiver, receiver and manager or administrator or similar is appointed to the assets or undertaking of the Issuer;
- (e) any representation or warranty made by the Issuer in these Terms and Conditions is incorrect or misleading in any material respect when made or deemed to be made and, if the circumstances causing the misrepresentation are capable of remedy, is not remedied within 30 Business Days;
- (f) there is a breach of any condition in condition 9 unless capable of remedy, and if so then not remedied within 30 Business Days;

## Shareholders' Deed

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- (g) Finance Debt of the Group under the Senior Facilities Agreement totalling at least A\$50,000,000 or its equivalent becomes due and payable before its stated maturity or expiry by virtue of an acceleration of the facilities under the Senior Facilities Agreement.

**"Finance Debt"** means, at any time, the aggregate amount of all obligations of the Group (including the principal and capital amount of any indebtedness) for or in respect of (without double counting):

- (a) moneys borrowed and debit balances at banks or other financial institutions;
- (b) any acceptances under any acceptance credit or bill discount facility (or dematerialised equivalents);
- (c) moneys raised under or pursuant to bonds (other than a performance bond or advance payment bond issued in respect of the obligations of any member of Group incurred in the ordinary course of business), notes, debentures, loan stock or any similar instrument;
- (d) any finance or capital lease or hire purchase contract which would, in accordance with accounting principles, be treated as a finance or capital lease but only to the extent of such treatment;
- (e) receivables sold or discounted (other than to the extent they are sold on a non-recourse basis);
- (f) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of an entity which is not a member of the Group which would fall within one of the other paragraphs of this definition;
- (g) the acquisition cost of any asset where the deferred payment (including deferred consideration) is arranged primarily as a method of raising finance and/or in circumstances where the due date for payment is more than 180 days after the expiry of the period customarily allowed by the relevant supplier (save where the payment deferral results from non or delayed satisfaction of contract terms by the supplier or from contract terms establishing payment schedules tied to total or partial contract completion and/or to the results of operational testing procedures);
- (h) the sale price of any asset to the extent paid by the person liable before the time of sale or delivery where such advance payment is arranged primarily as a method of raising finance unless such arrangements are entered into customarily by customers of the Group;
- (i) any amount raised by the issue of redeemable preference shares (other than redeemable preference shares which by their terms are not (otherwise than at the option of the issuer) redeemable prior to the date at least 10 years from the date of the Deed Poll);
- (j) any amount raised under any other transaction which would be treated as borrowing in accordance with accounting principles;
- (k) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (taking into account the marked to market value only); and
- (l) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in the paragraphs above,

(provided that indebtedness owed by one member of the Group to another member of the Group shall not be taken into account), but:

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- (m) excluding:
- (i) any such obligations under any intra-group loan;
  - (ii) all liabilities (direct or indirect) of the Group to its ultimate equity investors, their affiliates or the funds managed or advised by them (including any redeemable preference shares issued by the Issuer); and
  - (iii) all obligations under the Loan Notes.

**"Group"** means the Issuer and its Subsidiaries.

**"Interest Amount"** means the amount of interest in respect of a Loan Note as determined under condition 3.2.

**"Interest Date"** means:

- (a) for a Loan Note being redeemed, that redemption date; and
- (b) otherwise, 31 December each year or such earlier date as the Issuer and all Noteholders may agree.

**"Interest Period"** means:

- (a) in respect of the first Interest Period, a period from (but excluding) the date the first Loan Note is issued to (and including) the next Interest Date;
- (b) for each subsequent Interest Period, if any, a period from (but excluding) an Interest Date to (and including) the next Interest Date.

**"Interest Rate"** means 5.44% per annum or such other rate as agreed by the Noteholders.

**"Issue Price"** means, in relation to a Loan Note, A\$[●].

**"Loan Note"** means a debt obligation of the Issuer evidencing the rights of an investor to be paid certain moneys under the Deed Poll.

**"Management Accounts"** means the most recently prepared monthly management accounts of the Group.

**"Maturity Date"** means the date which is 5 years after the date of the Deed Poll on which the Loan Note is issued.

**"Noteholder"** means a person whose name is for the time being entered in the Register as a holder of a Loan Note.

**"Outstanding Principal Amount"** means, in relation to a Loan Note, the Issue Price or principal amount outstanding on that Loan Note from time to time, including the amount of any interest capitalised pursuant to condition 3.4.

**"Register"** means a register of Noteholders maintained by the Issuer in which is entered the name and address of Noteholders, the amount of Loan Notes held by each Noteholder, the date of issue or transfer of those Loan Notes and any other particulars which the Issuer sees fit to enter.

**"Senior Facilities Agreement"** means the document entitled "Project Button – Syndicated Facility Agreement entered into between, among others, Hydra RL Bidco Pty Ltd, Australia and New Zealand Banking Group Limited, Barclays Bank PLC and Bank of China Limited, Sydney Branch (as amended and replaced from time to time).

**"Subsidiary"** has the meaning given in the Corporations Act, but an entity will also be taken to be a Subsidiary of an entity if it is controlled by that entity (as defined in section 50AA of the Corporations Act) and, without limitation:

- (a) a trust may be a Subsidiary for the purposes of which a unit or other beneficial interest will be regarded as a share; and
- (b) an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.

**"Transfer Form"** means such form as the Issuer adopts to effect a transfer of Loan Notes in accordance with these Terms and Conditions.

## 1.2 Deed Poll provisions

Clauses 1.2 and 1.3 of the Deed Poll apply to these Terms and Conditions except that each reference in them to this Deed Poll is to be read as if it were a reference to these Terms and Conditions.

## 2 Form, Title and Status

### 2.1 Form

Each Loan Note is issued in registrable form. The holders of those Loan Notes shall be recorded in the Register. Each Loan Note is a separate debt obligation of the Issuer and may (subject to condition 4) be transferred separately from any other Loan Note.

### 2.2 Registered owners

The person whose name is inscribed in the Register as the registered owner of any Loan Note from time to time will be treated by the Issuer as the legal and beneficial owner of such Loan Note for all purposes whether or not any payment in relation to such Loan Note is overdue and regardless of any notice of ownership, trust or any other interest inscribed in the Register.

### 2.3 Currency and denominations

Loan Notes will be denominated in Australian Dollars and issued for the Issue Price.

### 2.4 Inscription conclusive

Each inscription in the Register in respect of a Loan Note is:

- (a) *prima facie* evidence to all persons and for all purposes that the person whose name is so inscribed is the registered owner of the Loan Note;
- (b) evidence for the benefit of the relevant Noteholder, that a separate and individual acknowledgement by the Issuer of its indebtedness to that person is constituted by the Deed Poll and of the vesting in such person of all rights vested in a Noteholder by the Deed Poll; and
- (c) evidence that the person whose name is so inscribed is entitled to the benefit of an irrevocable undertaking and promise by the Issuer that the Issuer will make all payments of principal and interest (if any) in respect of the Loan Note in accordance with these Terms and Conditions.

### 2.5 Manifest errors

The making of, or the giving effect to, a manifest error in an inscription into the Register will not avoid the constitution, issue or transfer of a Loan Note. The Issuer must correct any manifest error of which it becomes aware.

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## TOPCO SHAREHOLDERS' DEED CONT

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### 2.6 No certificate

- (a) Except as permitted under paragraph (b), no certificate or other evidence of title shall be issued by or on behalf of the Issuer to evidence title to a Loan Note unless the Issuer determines that certificates should be made available or that it is required to do so under any applicable law or regulation.
- (b) The Issuer agrees, on request by a Noteholder, to provide to the Noteholder, at that Noteholder's expense, a certified extract of the particulars entered on the Register in relation to that Noteholder and the Loan Notes held by it.

### 2.7 Status

- (a) The Loan Notes are direct obligations of the Issuer and rank without preference or priority among themselves and at least equally with all present and future unsubordinated and unsecured obligations of the Issuer (except liabilities otherwise expressed to rank ahead or mandatorily preferred by law and subject to laws and principles of equity generally affecting creditors' rights).
- (b) The ranking of Loan Notes is not affected by the date of registration of any Noteholder in the Register.

## 3 Interest

### 3.1 Application and consideration

Loan Notes may be applied for by any means approved by the Issuer. Loan Notes will be issued at their Issue Price for any consideration approved by the Issuer, including cash consideration, non-cash consideration or for no or nominal consideration.

### 3.2 Calculation of Interest Amount

- (a) The Issuer agrees, subject to condition 3.3, to pay interest on each Loan Note on its Outstanding Principal Amount at the Interest Rate until the date on which that Loan Note is fully and finally repaid.
- (b) Interest will:
  - (i) accrue daily in respect of each day in the relevant Interest Period on the Outstanding Principal Amount of the Loan Note;
  - (ii) be calculated on a formula basis for each Interest Period by the Issuer as follows:  
*Interest Amount = Outstanding Principal Amount of the Loan Note \* Interest Rate \* Day Count Fraction for that Interest Period.*
  - (iii) be payable on each applicable Interest Date.

### 3.3 Cash pay

A Noteholder may notify the Issuer it requires a component of the Interest Amount (not to exceed 10% of the Interest Amount) to be paid in cash to fund withholding tax liabilities directly or indirectly attributable to that Interest Amount. A Noteholder must notify the Issuer at least 20 Business Days before the relevant Interest Date. On each Interest Date the Issuer must cash pay to such Noteholders the amount notified. Any component of the Interest Amount not paid in cash will be capitalised in accordance with clause 3.4.

### 3.4 PIK

If the Issuer and Noteholders agree for the purposes of paragraph (b) of the definition of "Interest Date" that a date prior to the Maturity Date shall comprise an Interest Date, then on each Interest



Date the accrued Interest Amount (less any amounts cash paid under condition 3.3 for that Interest Date) for a Loan Note shall be capitalised and added to the then Outstanding Principal Amount of that Loan Note.

**3.5 Notification of Interest and capitalised balance**

The Issuer will, if requested in writing by a Noteholder, notify that Noteholder of the Interest Amount (cash paid or capitalised) and the current Outstanding Principal Amount.

**4 Transfers**

**4.1 Transfers of Loan Notes**

Loan Notes are transferable subject to the terms of the Shareholders Deed.

**4.2 Transfer Forms for Loan Notes**

A Loan Note is transferable in whole (but not in part) by a duly completed and (if applicable) stamped Transfer Form in a form approved or provided by the Issuer. Unless a contrary intention is expressed in a Transfer Form, all contracts relating to the transfer of Loan Notes are governed by the laws applicable to the Loan Notes. The Issuer is not obliged to stamp the Transfer Form.

**4.3 Registration requirements for transfer**

Every Transfer Form in respect of Loan Notes must be:

- (a) signed by the transferor and the transferee;
- (b) delivered to the office of the Issuer for registration; and
- (c) duly stamped, if necessary.

**4.4 Registration of transfers**

Subject to this condition 4, the Issuer must register a transfer of Loan Notes. Upon entry of the name, address and all other required details of the transferee in the Register, the Issuer must recognise the transferee as the Noteholder entitled to the Loan Notes the subject of the transfer. Entry of such details in the Register constitutes prima facie proof of ownership by that transferee of those Loan Notes. The transferor remains the legal owner of the relevant Loan Notes until the Issuer has entered the required details of the transferee in the Register in respect of those Loan Notes.

**4.5 No fee**

No fee or other charge is payable to the Issuer in respect of the transfer or registration of any Loan Note.

**4.6 Destruction**

Any Transfer Form may, with the prior written approval of the Issuer, be destroyed after the entry in the Register of the particulars set out in the form. On receipt of such approval, the Issuer must destroy the Transfer Form as soon as reasonably practicable and promptly notify the Issuer in writing of its destruction.

**4.7 Absolute assignment**

The Issuer acknowledges that for the purposes of section 12 of the *Conveyancing Act 1919* (NSW), delivery of a Transfer Form to the Issuer, constitutes express notice in writing to the Issuer of the absolute assignment of the debt obligation represented by the Loan Notes comprised in the Transfer Form.

# ANNEXURE E

## TOPCO SHAREHOLDERS' DEED CONT

Shareholders' Deed

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### 5 Redemption and cancellation

#### 5.1 Maturity

Unless previously redeemed and cancelled in accordance with these Terms and Conditions, each Loan Note must be redeemed on the Maturity Date at its Outstanding Principal Amount together with any unpaid interest accrued as at that date.

#### 5.2 Early Redemption

- (a) **(Non-call for Noteholders)** Subject to condition 5.2(c), a Noteholder may not request a redemption of any Loan Notes.
- (b) **(Voluntary redemption)** At any time the Issuer may by giving at least 3 Business Days' notice in writing to all Noteholders notify the Noteholders that it will redeem all or some of the Loan Notes of the Noteholders on the date specified in that notice. If the redemption is not of all Loan Notes on issue the Loan Notes of each Noteholder must be redeemed rateably.
- (c) **(Mandatory redemption)** Upon the occurrence of an Event of Default which is continuing and of which the Issuer has been given notice from a Noteholder the Noteholders may, by notice to the Issuer, require the Issuer to redeem all Loan Notes of all Noteholders on the date specified in that notice.

#### 5.3 Early Redemption Amount

For any redemption of the Loan Notes pursuant to condition 5.2(b) or (c) on or before the Maturity Date, the Issuer must redeem the Loan Notes on the applicable date by payment of the Early Redemption Amount for each Loan Note.

#### 5.4 Cancellation of Loan Notes

All Loan Notes that are redeemed in full are automatically cancelled and may not be reissued. The Issuer shall update the Register accordingly.

### 6 Payments

#### 6.1 Payments to Noteholders

All payments under a Loan Note must be made by the Issuer to the account notified by the relevant Noteholder to the Issuer or, in the absence of that notification, as otherwise agreed between that Noteholder and the Issuer without set-off or counterclaim or any other deduction unless required by law or regulation.

#### 6.2 Gross up

If the Issuer is obliged to make a deduction in respect of tax from a payment to a Noteholder:

- (a) **(pay deduction)** it shall promptly pay the amount deducted to the appropriate government agency; and
- (b) **(receipt)** within 30 days of the end of the month in which the deduction is made, it shall give the Noteholder the original receipt (or other documents acceptable to the relevant Noteholder) evidencing the payment.

The Issuer is not obliged to gross up any payments the Noteholder to the extent any deductions are made pursuant to this clause 6.2.

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## 7 Application of Moneys

On each redemption date and the Maturity Date, the Issuer must pay all amounts due and payable on that date to the Noteholders *pari passu* and rateably.

## 8 Representations and Warranties

### 8.1 Nature

The Issuer represents and warrants to the Noteholders that:

- (a) **(duly incorporated)** it is duly incorporated in accordance with the laws of its place of incorporation, validly exists under those laws and has the capacity to sue or be sued in its own name and to own its property and conduct its business as it is being conducted;
- (b) **(binding obligations)** the Deed Poll and each Loan Note constitutes its valid and legally binding obligations and (subject to any applicable stamping and registration) is enforceable against it by the Noteholders in accordance with its terms except to the extent that enforcement may be limited by generally applicable principles of law or equity;
- (c) **(capacity)** it has capacity to execute and deliver and comply with its obligations under the Deed Poll and each Loan Note;
- (d) **(action taken)** it has taken all necessary action to authorise the execution and delivery of, and the compliance with its obligations under the Deed Poll and each Loan Note;
- (e) **(authorisations)** each authorisation from, and filing and registration with any government agency:
  - (i) necessary to enable it to execute and deliver and comply with its obligations under the Deed Poll and each Loan Note; and
  - (ii) carry on its principal business or activity, has been obtained, effected and complied with;
- (f) **(no contravention)** the execution and delivery of, and compliance with its obligations under, the Deed Poll and each Loan Note, do not:
  - (i) contravene any law to which it or any of its property is subject or any order or directive from any government agency binding on it or any of its property; or
  - (ii) contravene its constituent documents;
- (g) **(ranking of obligations)** each of its obligations under the Deed Poll and each Loan Note ranks at least *pari passu* with all of its unsecured and unsubordinated obligations except obligations mandatorily preferred by law; and
- (h) **(no immunity)** it and its property are free of any right of immunity from set-off, proceedings or execution in respect of its obligations under the Deed Poll and each Loan Note.

### 8.2 Repetition

Each representation and warranty survives the execution of the Deed Poll and is deemed to be repeated with reference to the facts and circumstances then existing on each Interest Date.

## 9 Undertakings

The Issuer undertakes to each Noteholder as follows.

# ANNEXURE E

## TOPCO SHAREHOLDERS' DEED CONT

Shareholders' Deed

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### 9.1 Residence

It will maintain its residence outside of Queensland and South Australia.

### 10 Register

#### 10.1 Register

The Issuer agrees to do the following things:

- (a) establish and maintain the Register in Sydney or such Australian city as the Issuer may determine from time to time;
- (b) enter or cause to be entered in the Register in relation to each Loan Note:
  - (i) the name, address and (if applicable) email address of each Noteholder and the respective amounts of Loan Notes held by it;
  - (ii) the date on which a person becomes a Noteholder;
  - (iii) the date on which a person ceases to be a Noteholder;
  - (iv) on each Interest Date, the Outstanding Principal Amount for each Loan Note including the amount of capitalised interest under condition 3.4 for each Loan Note; and
  - (v) the date on which each relevant Loan Note is redeemed; and
- (c) comply with the obligations expressed in the Deed Poll and Terms and Conditions to be performed by the Issuer in relation to the Register.

#### 10.2 Noteholder change of address

A Noteholder must promptly notify any change of address to the Issuer.

#### 10.3 Trusts

Except as provided by statute or as required by order of a court of competent jurisdiction, no notice of any trust (whether express, implied or constructive) may be entered in the Register in respect of a Loan Note and the Issuer is not obliged to recognise any trust.

### 11 Issuer Indemnity

The Issuer shall indemnify each Noteholder against any loss, cost, liability or expense (including reasonable legal costs on a full indemnity basis) which the Noteholder incurs as a result of or in connection with any default by the Issuer under or in connection with the Deed Poll or these Terms and Conditions.

### 12 Notices

A notice or other communication to the Issuer in connection with a Loan Note:

- (a) must be in writing addressed as follows:

Address: Level 22, 135 King Street, Sydney NSW 2000

Attention: Company Secretary

Email: Mandy.Chiang@brookfield.com

with a copy to Nick.Britten-Jones@brookfield.com

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- (b) is taken to be given or made, as the case may be, on the date it is received which:
  - (i) in the case of a notice delivered by post, is taken to be effected 3 days after posting; and
  - (ii) in the case of a notice delivered by email, is taken to be effected at the earlier of:
    - (A) the sender receiving an automated message confirming delivery; or
    - (B) 30 minutes after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,but if the receipt is on a day which is not a Business Day, or is after 5.00 pm (recipient's time), it is deemed to be received at 9.00 am on the following Business Day.

### 13 Amendments

- (a) These Terms and Conditions may be amended, without the consent of any Noteholder, for the purposes of curing any ambiguity or correcting or supplementing any defective or inconsistent provisions where such amendment will not adversely affect the interests of the Noteholders.
- (b) These Terms and Conditions may otherwise be varied with the approval of all Noteholders (not to be unreasonably withheld or delayed).

### 14 Governing Law and Jurisdiction

#### 14.1 Governing law

The Loan Notes are governed by the law in force in New South Wales.

#### 14.2 Jurisdiction

The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and courts of appeal from them. The Issuer waives any right it has to object to an action being brought in those courts, to claim that such action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

# ANNEXURE E

## TOPCO SHAREHOLDERS' DEED CONT

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**Schedule 5**

**Constitution**

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**Executed and delivered as a Deed** in Sydney.

Each attorney executing this Deed states that he or she has no notice of revocation or suspension of his or her power of attorney.

**Executed** as a deed in accordance with section 127 of the *Corporations Act 2001* by **BSREP III Australia Sub GP Pty Ltd** as general partner of **BSREP III Australia Sub Limited Partnership**:

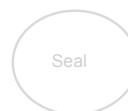
\_\_\_\_\_  
Director Signature

\_\_\_\_\_  
Director/Secretary Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

**Signed Sealed and Delivered** by **BSREP III Bermuda GP of GP Limited** as general partner of **BSREP III Bermuda GP L.P.** as general partner of **BSREP III Hydra Bermuda Sub Brookfield L.P.** in the presence of:



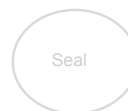
\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Authorised Signatory

\_\_\_\_\_  
Name of Witness

\_\_\_\_\_  
Name of Authorised Signatory

**Signed Sealed and Delivered** by **BSREP III Bermuda GP of GP Limited** as general partner of **BSREP III Bermuda GP L.P.** as general partner of **BSREP III Hydra Bermuda Sub L.P.** in the presence of:



\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Authorised Signatory

\_\_\_\_\_  
Name of Witness

\_\_\_\_\_  
Name of Authorised Signatory

# ANNEXURE E

## TOPCO SHAREHOLDERS' DEED CONT

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**Signed Sealed and Delivered** by **BSREP III Bermuda GP of GP Limited** as general partner of **BSREP III Bermuda GP L.P.** as general partner of **BSREP III Hydra Bermuda Sub-B L.P.** in the presence of:



\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Authorised Signatory

\_\_\_\_\_  
Name of Witness

\_\_\_\_\_  
Name of Authorised Signatory

**Executed** as a deed in accordance with section 127 of the *Corporations Act 2001* by **Hydra RL TopCo Pty Ltd:**

\_\_\_\_\_  
Director Signature

\_\_\_\_\_  
Director/Secretary Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name



# ANNEXURE F TOPCO CONSTITUTION

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## Constitution

Adopted on

**Hydra RL TopCo Pty Ltd** (ACN 635 012 323) ("**Company**")

A proprietary company limited by shares

# ANNEXURE F

## TOPCO CONSTITUTION CONT

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# Constitution

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## 1 Interpretation

### 1.1 Definitions

In this Constitution unless the contrary intention appears:

**Alternate Director** means a person appointed as an alternate director under article 13.10.

**Board** means all or some of the Directors acting as the board of the Company.

**Business Day** means a day which is not a Saturday, Sunday, bank or public holiday in Sydney, Australia; New York, USA; or Hamilton, Bermuda.

**Class A Director** means a Director appointed by Members holding Class A Shares pursuant to the Shareholders' Deed.

**Class A Share** means a Class A1 Share or a Class A2 Share.

**Class A1 Share** means a Share which is designated as a Class A1 Share and has the rights set out in this Constitution and the Shareholders' Deed.

**Class A2 Share** means a Share which is designated as a Class A2 Share and has the rights set out in this Constitution and the Shareholders' Deed.

**Class B Director** means a Director appointed by Members holding Class B Shares pursuant to the Shareholders' Deed.

**Class B Share** means a Class B1 Share or a Class B2 Share.

**Class B1 Share** means a Share which is designated as a Class B1 Share and has the rights set out in this Constitution and the Shareholders' Deed.

**Class B2 Share** means a Share which is designated as a Class B2 Share and has the rights set out in this Constitution and the Shareholders' Deed.

**Committee** means a committee of Directors constituted under article 12.6.

**Company** means Hydra RL TopCo Pty Ltd as that name may be changed from time to time.

**Constitution** means this constitution, and a reference to an article is a reference to an article of this constitution.

**Conversion** means in relation to a Share:

- (a) if relevant, prior to the variation of rights referred to in paragraph (b) of this definition, the splitting or consolidation of the Share into a larger or smaller (respectively) number of Shares; and
- (b) the variation of the rights attaching to the Share, such that following the variation, the Share has the same rights as a Share in the class of equity security into which the Share is converted and is treated in all respects as a Share of that class from that time,

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and Convert, Converted and Converting have corresponding meanings.

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

**Director** means a person holding office as a director of the Company, and where appropriate includes an Alternate Director.

**Directors** means all or some of the Directors acting as a board.

**Executive Director** means a person appointed as an executive director under article 12.8.

**Group** means the Company and each of its Subsidiaries and each of its or their interests in joint ventures or other entities (including trusts), from time to time.

**IPO** means an initial public offering of shares in the Company, shares in any Subsidiary of the Company or shares in a company of which the Company is or will be a wholly owned subsidiary in conjunction with an application for the quotation of those shares on a Stock Exchange.

**Liquidity Event means:**

- (a) a winding up of the Company;
- (b) a Trade Sale; or
- (c) an IPO.

**Managing Director** means a person appointed as a managing director under article 12.8.

**Member** means a person entered in the Register as a holder of Shares.

**Prescribed Interest Rate** means the rate determined by the Directors for the purpose of this Constitution, and in the absence of a determination means 5% per annum.

**Proceeds** means:

- (a) on a Trade Sale or IPO – the aggregate consideration payable to the selling Members; and
- (b) on a winding up of the Company – the total amount available for distribution to Members.

**Register** means the register of Members of the Company under the Corporations Act and, if appropriate, includes a branch register.

**Registered Office** means the registered office of the Company.

**Representative** means a person appointed to represent a corporate Member at a general meeting of the Company in accordance with the Corporations Act.

**Secretary** means a person appointed under article 14.1 as a secretary of the Company and where appropriate includes an acting secretary and a person appointed by the Directors to perform all or any of the duties of a secretary of the Company.

**Secured Party** has the meaning given to that term in article 7.7.



**Share** means an ordinary share in the capital of the Company and includes a Class A Share or a Class B Share.

**Shareholders' Deed** means the Shareholders' Deed relating to the Company dated 11 August 2019, between the Company and others.

**Share Security** has the meaning given to that term in article 7.7.

**Simple Majority** means:

- (a) Directors that together hold more than 50% of the total voting rights of all Directors who attend the relevant Board or Committee meeting (pursuant to the Shareholders' Deed); or
- (b) Class A Directors that together hold 50% or more of the total voting rights of all Class A Directors and Class B Directors that together hold 50% or more of the total voting rights of all Class B Directors who sign the relevant written resolution,

(as the case may be) and in each case who are entitled to vote on the relevant resolution.

**Stock Exchange** means the Australian Securities Exchange or any other recognised stock exchange approved by a majority of Members holding Class A Shares.

**Subsidiary** has the meaning given to 'subsidiary' in the Corporations Act, amended as necessary such that:

- (a) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share;
- (b) a body corporate or trust may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a body corporate; and
- (c) a body corporate or a trust may be a Subsidiary of a partnership if all of the shares, units or other beneficial interests of the body corporate or trust (as relevant) are held by the partners of that partnership.

**Trade Sale** means the sale of:

- (a) at least 50% of the Shares; or
- (b) any components of the Group's business or assets that generate at least 50% of the Group's revenue,

in each case to a third party.

## 1.2 Words or expressions defined in Shareholders' Deed

In this Constitution, unless the contrary intention appears:

- (a) a word or expression defined in the Shareholders' Deed (but not defined in this Constitution) has the same meaning as in the Shareholders' Deed when used in this Constitution; and
- (b) a word or expression defined in the Shareholders' Deed and also defined in this Constitution has the meaning given to it by this Constitution.

## 1.3 Interpretation

Headings are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this Constitution:

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- (a) the singular includes the plural and vice versa;
- (b) words importing any gender include all other genders;
- (c) a reference to a document includes any variation or replacement of it;
- (d) the meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions;
- (e) a reference to "**person**" includes an individual, a body corporate, a partnership, a joint venture, an unincorporated and an authority or any other entity or organisation;
- (f) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (g) a reference to "**law**" includes common law, principles of equity and legislation (including regulations);
- (h) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacement of any of them;
- (i) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (j) a power, an authority or a discretion given to a Director, the Directors, the Company in general meeting or a Member may be exercised at any time and from time to time;
- (k) a reference to "**writing**" or "**written**" includes printing, typing and other modes of reproducing words in a visible form including any representation of words in a physical document or in an electronic communication or form or otherwise;
- (l) a chairman appointed under this Constitution may be referred to as a chairperson, chairwoman or as chair, as appropriate;
- (m) a reference to a person being "**present**" at a meeting includes participating using technology approved by the Directors in accordance with this Constitution; and
- (n) where a document (including a notice or consent) is required to be "**signed**", the requirement may be satisfied in relation to an electronic communication of the document in any manner:
  - (i) permitted by relevant law relating to electronic transmissions (including electronic signature); or
  - (ii) approved by the Directors (which could include authentication by providing an allocated code or specified personal information).

#### 1.4 Corporations Act

In this Constitution unless the contrary intention appears:

- (a) a word or expression defined or used in the Corporations Act has the same meaning when used in this Constitution in a similar context; and
- (b) "section" means a section of the Corporations Act.

### 1.5 Replaceable rules not to apply

The provisions of the Corporations Act that apply as replaceable rules are displaced by this Constitution and do not apply to the Company.

### 1.6 Currency

The Directors may:

- (a) differentiate between Members as to the currency in which any amount payable to a Member is paid (whether by way of or on account of dividends, repayment of capital, participation in surplus property of the Company or otherwise);
- (b) determine to pay a distribution in a currency other than Australian dollars and the amount payable will be converted from Australian dollars in any manner, at any time and at any exchange rate as the Directors think fit; and
- (c) in deciding the currency in which a payment is to be made to a Member, have regard to the registered address of the Member, the register on which a Member's shares are registered and any other matters as the Directors consider appropriate.

Payment in another currency of an amount converted under this article is as between the Company and a Member adequate and proper payment of the amount payable.

### 1.7 Conflict with the Shareholders' Deed

- (a) If there is an inconsistency between any provision of this Constitution and the Shareholders' Deed, the provisions of the Shareholders' Deed will prevail to the extent of the inconsistency and the Members must amend this Constitution to remove the inconsistency (unless otherwise agreed by unanimous approval of the Board).
- (b) An inconsistency will be taken to exist between this Constitution and the Shareholders' Deed for the purposes of article 1.7(a) if:
  - (i) the subject matter of the relevant provisions in this Constitution and the Shareholders' Deed is the same and those provisions specify differing requirements; or
  - (ii) the action required to be taken or not taken (as the case may be) under the relevant provisions in this Constitution and the Shareholders' Deed is the same but those provisions specify requirements which both cannot be satisfied by taking, or omitting to take, that action in the same way.
- (c) To avoid doubt:
  - (i) if this Constitution and the Shareholders' Deed require an action to be taken, including obtaining an approval or consent, at different standards of performance or other relevant thresholds:
    - (A) and the Shareholders' Deed contains the higher standard of performance or other relevant threshold (as determined finally by unanimous approval of the Board), the standard of performance or other relevant threshold in the Shareholders' Deed must be complied with; or

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- (B) this Constitution contains the higher standard of performance or other relevant threshold (as determined finally by unanimous approval of the Board), only the standard of performance or other relevant threshold in the Shareholders' Deed must be complied with; and
- (ii) any provision of this Constitution which is expressly stated to be subject to the Shareholders' Deed does not limit or otherwise prejudice any other provision being subject to the Shareholders' Deed in accordance with article 1.7(a).

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## **2 Share capital and variation of rights**

### **2.1 Directors to issue Shares**

The issue of Shares in the Company is under the control of the Directors who may:

- (a) Issue and cancel Shares in the Company;
- (b) grant options over unissued Shares in the Company; and
- (c) settle the manner in which fractions of a share, however arising, are to be dealt with,

subject to the Corporations Act and any special rights conferred on the holders of any Shares or class of Shares.

### **2.2 Class A Shares**

- (a) Class A1 Shares and Class A2 Shares are a separate classes of Shares.
- (b) Other than as expressly provided in the Shareholders' Deed and this Constitution, the rights and obligations attaching to Class A1 Shares and Class A2 Shares are identical.
- (c) The provisions of this Constitution apply to Class A Shares.
- (d) A Class A Share entitles its holder to:
  - (i) receive notice of and to attend and vote at any general meeting of the Company;
  - (ii) receive dividends and distributions in accordance with article 17; and
  - (iii) receive Proceeds on a Liquidity Event in accordance with article 20.
- (e) Each holder of Class A Shares has one vote per Class A Share held by the holder.
- (f) A:
  - (i) Class A1 Share is Convertible into 1 fully paid Class B1 Share, in accordance with article 2.6 in the circumstances provided for such Conversion in the Shareholders' Deed; and
  - (ii) Class A2 Share is Convertible into 1 fully paid Class B2 Share, in accordance with article 2.6 in the circumstances provided for such Conversion in the Shareholders' Deed.

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- (g) If any Class A Share Converts into a Class B Share, the Company must:
  - (i) make an entry in the Register to record the Conversion of the Class A Share into the relevant Class B Share; and
  - (ii) issue a new share certificate for the relevant Class B Share arising on Conversion of the relevant Class A Share within 15 Business Days of the Conversion taking effect.

### 2.3 Class B Shares

- (a) Class B1 Shares and Class B2 Shares are separate classes of Shares.
- (b) Other than as expressly provided in the Shareholders' Deed and this Constitution, the rights and obligations attaching to Class B1 Shares and Class B2 Shares are identical.
- (c) The provisions of this Constitution apply to Class B Shares.
- (d) A Class B Share entitles its holder to:
  - (i) receive notice of and to attend and vote at any general meeting of the Company;
  - (ii) receive dividends and distributions in accordance with article 17; and
  - (iii) receive Proceeds on a Liquidity Event in accordance with article 20.
- (e) Each holder of Class B Shares has one vote per Class B Share held by the holder.
- (f) A:
  - (i) Class B1 Share is Convertible into 1 fully paid Class A1 Share, in accordance with article 2.5; in the circumstances provided for such Conversion in the Shareholders' Deed; and
  - (ii) Class B2 Share is Convertible into 1 fully paid Class A2 Share, in accordance with article 2.5; in the circumstances provided for such Conversion in the Shareholders' Deed.
- (g) If any Class B Share Converts into a Class A Share, the Company must:
  - (i) make an entry in the Register to record the Conversion of the Class B Share into the relevant Class A Shares; and
  - (ii) issue a new share certificate for the relevant Class A Share arising on Conversion of the relevant Class B Share within 15 Business Days of the Conversion taking effect.

### 2.4 Preference shares

The Company may not issue preference shares (including redeemable preference shares) and issued shares may not be converted into preference shares unless the rights attached to the preference shares have been approved by special resolution.

### 2.5 Conversion of Shares

Subject to compliance with the Corporations Act and other applicable laws, the conversion of any Share into any other class of Share will not constitute a cancellation, redemption or termination of the Share or the issue, allotment or creation of new Shares, but will have the effect of varying the status of, and the

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rights attaching to, the Share so that it becomes a Share of the class into which it Converts.

### **2.6 Variation of class rights**

Subject to this Constitution, the Shareholders' Deed and the terms on which any Shares in the Company are issued (as applicable), the rights attaching to Shares in a class of Shares may only be varied or cancelled by a special resolution of the Company and:

- (a) by a special resolution passed at a meeting of Members entitled to vote and holding Shares in that class; or
- (b) with the written consent of holders entitled to vote in respect of at least 75% of the issued Shares of that class.

### **2.7 Power to alter share capital**

Subject to the Shareholders' Deed, the Company may reduce or alter its share capital in any manner provided for by the Corporations Act. The Directors may do anything that is required to give effect to any resolution authorising reduction or alteration of the share capital of the Company.

### **2.8 Class meetings**

The provisions of this Constitution and the Shareholders' Deed relating to general meetings apply so far as they are capable of application and with any necessary changes to every separate meeting of the holders of a class of Shares except that a quorum is constituted by at least two persons who, between them, hold or represent one-third of the issued Shares of the class (unless only one person holds all of the Shares of the class, in which case that person constitutes a quorum).

### **2.9 Redemption in accordance with terms of issue of Shares**

The terms of article 2.6 do not apply and consent is not required for a redemption of any Shares or variation of rights attaching to any Shares in compliance with this Constitution or any separate terms of issue of those Shares.

### **2.10 No variation**

The rights attaching to Shares in a class of Shares will not be taken to be varied by:

- (a) the issue of further Shares of that class; or
- (b) the issue of any Shares of any other class; or
- (c) the Conversion of any Shares (including Shares in the relevant class) or other securities to new Shares or securities, or
- (d) the redemption, buy-back or cancellation of any Shares or other Securities in accordance with the Shareholders' Deed, this Constitution and/or the other applicable terms of those securities (as applicable to the relevant securities),

which, in the case of an issue referred to in article 2.10(a) or 2.10(b) rank behind, equally with, or in priority to, the Shares in the relevant class of Shares, unless expressly provided by their respective terms of issue or the Corporations Act.

### **2.11 Non-recognition of interests**

Except as required by law, the Company is not required to recognise:

- (a) a person as holding a Share on any trust; or
- (b) any other interest in any Share or any other right in respect of a Share except an absolute right of ownership in the registered holder,

whether or not it has notice of the trust, interest or right.

#### **2.12 Joint holders of Shares**

Where two or more persons are registered as the joint holders of Shares then they are taken to hold the Shares as joint tenants with rights of survivorship, but the Company is not bound:

- (a) to register more than three persons as joint holders of a share; or
- (b) to issue more than one certificate or holding statement for Shares jointly held.

#### **2.13 Obligations on buy back, redemption or cancellation of Shares**

If the Company wishes to undertake a buy back, redemption or cancellation of any Shares in accordance with the terms of the Shareholders' Deed, this Constitution or the terms of issue of any Shares, each Member (in all relevant capacities) must do and perform, and procure that any Directors appointed or nominated by it do and perform, all such acts and enter into such instruments as are within its power (in any capacity), and use its best endeavours to procure others to do and perform such acts and enter into such instruments, as are necessary or otherwise appropriate to give effect to the buy back, redemption or cancellation including:

- (a) voting in favour of the buy back, redemption or cancellation at any Board and Members' meetings that may be required;
- (b) entering into any buy back agreement or cancellation agreement that may be required to effect the buy back or cancellation;
- (c) lodging all necessary documents and giving all necessary notifications of the buy back, redemption or cancellation to any regulatory authorities; and
- (d) performing those acts necessary to complete the buy back, redemption or cancellation in accordance with its terms including paying the price for the Shares and delivering the certificate(s) and, if necessary, executed transfer(s) for the Shares.

To avoid doubt, nothing in this article 2.13 requires:

- (e) any Director to take any action which would breach any of his or her statutory duties; or
- (f) any Member to agree to the buy-back or cancellation of its Shares at a price that is less than that specified in, or on terms which are inconsistent with an express provision of, the Shareholders' Deed, this Constitution or the terms of issue of those Shares (if any) (as applicable to the Member and the Shares which are subject to the buy-back and cancellation).

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### **3 Certificate for Shares**

#### **3.1 Certificates**

The Directors may decide to issue certificates for Shares and to cancel any certificates on issue and to replace lost, destroyed or defaced certificates on issue on the basis and in the form it determines from time to time.

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### **4 Lien**

#### **4.1 Lien on Share**

To the extent permitted by law, the Company has a first and paramount lien on every Share for:

- (a) all due and unpaid calls and instalments in respect of that Share;
- (b) all money which the Company is required by law to pay, and has paid, in respect of that Share;
- (c) interest at the Prescribed Interest Rate on the amount due from the date it becomes due until payment; and
- (d) reasonable expenses of the Company in respect of the default on payment.

#### **4.2 Lien on distributions**

A lien on a Share under article 4.1 extends to all distributions for that Share, including dividends.

#### **4.3 Exemption from article 4.1**

The Directors may at any time exempt a Share wholly or in part from the provisions of article 4.1.

#### **4.4 Extinguishment of lien**

The Company's lien on a Share is extinguished if a transfer of the Share is registered without the Company giving notice of the lien to the transferee.

#### **4.5 Company's rights to recover payments**

A Member must reimburse the Company on demand in writing for all payments the Company makes to a government or taxing authority in respect of the Member, the death of a Member or the Member's Shares or any distributions on the Member's Shares, including dividends, where the Company is either:

- (a) required by law to make the relevant payment; or
- (b) advised by a lawyer qualified to practice in the jurisdiction of the relevant government or taxing authority that the Company is required by law to make the relevant payment.

The Company is not obliged to advise the Member in advance of its intention to make the payment.

#### **4.6 Reimbursement is a debt due**

The obligation of the Member to reimburse the Company is a debt due to the Company as if it were a call on all the Member's Shares, duly made at the time when the written demand for reimbursement is given by the Company to the Member. The provisions of this Constitution relating to non-payment of calls,



including payment of interest and sale of the Member's Shares under lien, apply to the debt.

#### **4.7 Sale under lien**

Subject to article 4.8, the Company may sell, in any manner the Directors think fit, any Share on which the Company has a lien. To the maximum extent it is able, the Company must comply with the Shareholders' Deed on any sale as if it were a Member transferring the Shares.

#### **4.8 Limitations on sale under lien**

A Share on which the Company has a lien may not be sold by the Company unless:

- (a) an amount in respect of which the lien exists is presently payable; and
- (b) the Company has, not less than 14 days before the date of sale, given to the registered holder of the Share or the person entitled to the Share by reason of the death or bankruptcy of the registered holder, a notice setting out, and demanding payment of, the amount which is presently payable in respect of which the lien exists.

#### **4.9 Transfer on sale under lien**

For the purpose of giving effect to a sale under article 4.7, the Company may receive the consideration, if any, given for the Share so sold and may execute a transfer of the Share sold in favour of the purchaser of the Share, or do all such other things as may be necessary or appropriate for it to do to effect the transfer. The purchaser is not bound to see to the application of the purchase money.

#### **4.10 Irregularity or invalidity**

The title of the purchaser to the Share is not affected by any irregularity or invalidity in connection with the sale of the Share under article 4.7.

#### **4.11 Proceeds of sale**

The proceeds of a sale under article 4.7 must be applied by the Company in payment of the amount in respect of which the lien exists as is presently payable, and the residue, if any, must be paid to the person entitled to the Share immediately before the sale.

---

## **5 Calls on Shares**

### **5.1 Directors to make calls**

The Directors may:

- (a) make calls on a Member in respect of any money unpaid on the Shares of that Member, if the money is not by the terms of issue of those Shares made payable at fixed times;
- (b) make a call payable by instalments; and
- (c) revoke or postpone a call.

### **5.2 Time of call**

A call is taken to be made at the time when the resolution of the Directors authorising the call is passed.

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### **5.3 Members' liability**

On receiving not less than 30 Business Days' notice specifying the time or times and place of payment, each Member must pay to the Company by the time or times and at the place specified in the notice, the amount called on that Member's Shares.

### **5.4 Joint holders' liability**

The joint holders of a Share are jointly and individually liable to pay all calls in respect of the Share.

### **5.5 Non-receipt of notice**

The non-receipt of a notice of any call by, or the accidental omission to give notice of a call to, a Member does not invalidate the call.

### **5.6 Interest on default**

If a sum called in respect of a Share is not paid before or on the day appointed for payment of the sum, the person from whom the sum is due must pay interest on the sum from the day it is due to the time of actual payment at the Prescribed Interest Rate. The Directors may waive payment of that interest wholly or in part.

### **5.7 Fixed instalments**

If the terms of a Share make a sum payable on issue of the Share or at a fixed date, this is taken to be a call duly made and payable on the date on which by the terms of issue the sum becomes payable. In the case of non-payment, all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise apply as if the sum had become payable by virtue of a call duly made and notified.

### **5.8 Differentiation between holders as to calls**

The Directors may, on the issue of Shares, differentiate between the holders of the Shares as to the amount of calls to be paid and the times of payment.

### **5.9 Prepayment of calls and interest**

The Directors may:

- (a) accept from a Member the whole or a part of the amount unpaid on a Share even if no part of that amount has been called; and
- (b) authorise payment by the Company of interest on the whole or any part of an amount so accepted, until the amount becomes payable, at such rate, not exceeding the Prescribed Interest Rate, as is agreed between the Directors and the Member paying the sum.

---

## **6 Forfeiture of Shares**

### **6.1 Notice requiring payment of call**

If a Member fails to pay a call, or instalment of a call, on the day appointed for payment of the call or instalment, the Directors may, at any time afterwards during such time as any part of the call or instalment remains unpaid, give a notice to the Member requiring payment of so much of the call or instalment as is unpaid, together with any interest that has accrued and all costs and expenses that may have been incurred by the Company by reason of that non-payment.

## **6.2 Contents of notice**

The notice must name a further day, which is at least 14 days from the date of service of the notice, on or before which the payment required by the notice is to be made and must state that, in the event of non-payment at or before the time appointed, the Shares in respect of which the call was made will be liable to be forfeited.

## **6.3 Forfeiture for failure to comply with notice**

If a notice under article 6.1 has not been complied with by the date specified in the notice, the Directors may by resolution forfeit the relevant Shares, at any time before the payment required by the notice has been made.

## **6.4 Dividends and distributions included in forfeiture**

A forfeiture under article 6.3 includes all dividends and other distributions to be made in respect of the forfeited Shares which have not been paid or distributed before the forfeiture.

## **6.5 Sale or re-issue of forfeited Shares**

Subject to the Corporations Act, a Share forfeited under article 6.3 may be sold, re-issued or otherwise disposed of to such person and on such terms as the Directors think fit. To the maximum extent it is able, the Company must comply with the Shareholders' Deed on any sale or disposal as if it were a Member selling or disposing of the Shares and on any re-issue of any Share forfeited under article 6.3.

## **6.6 Notice of forfeiture**

If any Share is forfeited under article 6.3, notice of the forfeiture must be given to the Member holding the Share immediately before the forfeiture and an entry of the forfeiture and its date must be made in the Register. Any failure to give notice or enter the forfeiture in the Register does not invalidate the forfeiture.

## **6.7 Surrender instead of forfeiture**

The Directors may accept the surrender of any Share which they are entitled to forfeit on any terms they think fit and any Share so surrendered is taken to be a forfeited Share.

## **6.8 Cancellation of forfeiture**

At any time before a sale, re-issue or disposal of a Share under article 6.5, the forfeiture of that Share may be cancelled on such terms as the Directors think fit.

## **6.9 Effect of forfeiture on former holder's liability**

A person whose Shares have been forfeited:

- (a) ceases to be a Member in respect of the forfeited Shares; and
- (b) remains liable to pay the Company all money that, at the date of forfeiture, was payable by that person to the Company in respect of the Shares, plus interest at the Prescribed Interest Rate from the date of forfeiture and the reasonable expenses of the sale of the Shares, until the Company receives payment in full of all money (including interest and expenses) so payable in respect of the Shares.

## **6.10 Evidence of forfeiture**

A written statement declaring that the person making the statement is a Director or a Secretary, and that a Share in the Company has been forfeited in accordance with this Constitution on the date declared in the statement, is

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evidence of the facts in the statement as against all persons claiming to be entitled to the Share.

### **6.11 Transfer of forfeited Share**

The Company may receive any consideration given for a forfeited Share on any sale, re-issue or disposal of the Share under article 6.5 and may execute or effect a transfer of the Share in favour of the person to whom the Share is sold, re-issued or disposed.

### **6.12 Registration of transferee**

On the execution of the transfer, the transferee must be registered as the holder of the Share and is not bound to see to the application of any money paid as consideration.

### **6.13 Irregularity or invalidity**

The title of the transferee to the Share is not affected by any irregularity or invalidity in connection with the forfeiture, sale, re-issue or disposal of the Share.

---

## **7 Transfer of Shares**

### **7.1 Transfer of Shares**

Subject to this Constitution, the Shareholders' Deed and the terms on which any Shares in the Company are issued (as applicable to the Member and the Shares which are being transferred), a Member may transfer Shares in the Company. A Member must comply with the Shareholders' Deed when transferring Shares in the Company.

### **7.2 Forms of instrument of transfer**

Subject to this Constitution, the Shareholders' Deed and the terms on which any Shares in the Company are issued (as applicable to the Member and the Shares which are being transferred), a Share in the Company is transferable by any method of transfer required or permitted by the Corporations Act.

### **7.3 Execution and delivery of transfer**

If a duly completed instrument of transfer:

- (a) is used to transfer a Share in accordance with article 7.1; and
- (b) is left for registration at the Share registry of the Company, accompanied by any information that the Directors properly require to show the right of the transferor to make the transfer,

the Company must, subject to the powers vested in the Directors by this Constitution, register the transferee as the holder of the Share.

### **7.4 Effect of registration**

A transferor of a Share remains the holder of the Share transferred until the transfer is registered and the name of the transferee is entered in the Register in respect of the Share.

### **7.5 Company to retain instrument of transfer**

The Company must retain every instrument of transfer which is registered for the period required by any applicable law.

### **7.6 Directors' powers to refuse to register**

The Directors:

- (a) must refuse to register a transfer of Shares which does not comply with the Shareholders' Deed or this Constitution (as applicable to the Member and the Shares which are being transferred); and
- (b) must register any transfer of Shares which complies with the Shareholders' Deed and this Constitution (as applicable to the Member and the Shares which are being transferred).

#### 7.7 Transfer to or by a secured party

The Directors may not refuse to register a transfer of Shares under article 7.6 if the transfer is either to a person holding a mortgage, charge, pledge or other security interest (or to a person acting as agent, trustee or nominee for such a person) ("**Secured Party**") which is given by a Member over their Shares in the Company ("**Share Security**"), or is pursuant to the exercise by a Secured Party of rights in relation to a Share Security.

In any such case, the Directors must register the transferee as a Member. The Directors may request and rely on a written statement of the Secured Party certifying that the transfer is pursuant to an exercise of rights under a Share Security.

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## 8 Transmission of Shares

### 8.1 Transmission of Shares on death

Subject to the Shareholders' Deed, if a Member who does not hold Shares jointly dies, the Company will recognise only the personal representative of the Member as being entitled to the Member's interest in the Shares.

### 8.2 Information given by personal representative

Subject to the Shareholders' Deed, if the personal representative of the Member who has died gives the Directors the information they reasonably require to establish the representative's entitlement to be registered as a holder of the Shares:

- (a) the personal representative may:
  - (i) by giving a signed notice to the Company, elect to be registered as the holder of the Shares; or
  - (ii) by giving a completed transfer form to the Company, transfer the Shares to another person; and
- (b) the personal representative is entitled, whether or not registered as the holder of the Shares, to the same rights as the Member.

On receiving an election under article 8.2(a)(i), the Company must register the personal representative as the holder of the Shares.

A transfer under article 8.2(a)(ii) is subject to the articles that apply to transfers generally.

### 8.3 Death of joint owner

If a Member who holds Shares jointly dies, the Company will recognise only the survivor as being entitled to the Member's interest in the Shares. The estate of the Member is not released from any liability in respect of the Shares.

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### 8.4 Transmission of Shares on bankruptcy

If a person entitled to Shares because of the bankruptcy of a Member gives the Directors the information they reasonably require to establish the person's entitlement to be registered as the holder of the Shares, the person may:

- (a) by giving a signed notice to the Company, elect to be registered as the holder of the Shares; or
- (b) by giving a completed transfer form to the Company, transfer the Shares to another person.

On receiving an election under article 8.4(a) the Company must register the person as the holder of the Shares.

A transfer under article 8.4(b) is subject to the articles that apply to transfers generally.

This article has effect subject to the *Bankruptcy Act 1966* (Cth) and the Shareholders' Deed.

### 8.5 Transmission of Shares on mental incapacity

If a person entitled to Shares because of the mental incapacity of a Member gives the Directors the information they reasonably require to establish the person's entitlement to be registered as the holder of the Shares:

- (a) the person may:
  - (i) by giving a signed notice to the Company, elect to be registered as the holder of the Shares; or
  - (ii) by giving a completed transfer form to the Company, transfer the Shares to another person; and
- (b) the person is entitled, whether or not registered as the holder of the Shares, to the same rights as the Member.

On receiving an election under article 8.5(a)(i), the Company must register the person as the holder of the Shares.

A transfer under article 8.5(a)(ii) is subject to the articles that apply to transfers generally.

This article is subject to the Shareholders' Deed.

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## 9 General meetings

### 9.1 Convening a general meeting

The Directors or a Director may convene and arrange to hold a general meeting of the Company whenever they think fit and must do so if required to do so under the Corporations Act.

### 9.2 Use of technology at general meetings

The Company may hold a meeting of its Members at two or more venues using any technology that gives the Members as a whole a reasonable opportunity to participate.

**9.3 Notice of general meeting**

Notice of a general meeting must be given in accordance with article 19 and the Corporations Act.

**9.4 Calculation of period of notice**

In computing the period of notice under article 9.3, both the day on which the last notice to Members is given or taken to be given and the day of the meeting convened by it are to be disregarded.

**9.5 Cancellation or postponement of a meeting**

Where a general meeting is convened by the Directors they may by notice, whenever they think fit, cancel the meeting or postpone the holding of the meeting to a date and time determined by them or change the place for the meeting.

This article 9.5 does not apply to a meeting convened in accordance with the Corporations Act by a single Director, by Members, by the Directors on the request of Members or to a meeting convened by a court.

**9.6 Notice of cancellation or postponement of a meeting**

Notice of cancellation or postponement or change of place of a general meeting must state the reason for cancellation or postponement and be given:

- (a) to each Member who was entitled to receive notice of the general meeting; and
- (b) to each other person entitled to be given notice of a general meeting.

**9.7 Contents of notice of postponement of meeting**

A notice of postponement of a general meeting must specify:

- (a) the postponed date and time for the holding of the meeting;
- (b) a place for the holding of the meeting which may be either the same as or different from the place specified in the notice convening the meeting; and
- (c) if the meeting is to be held in two or more places, the technology that will be used to facilitate the holding of the meeting in that manner.

**9.8 Number of clear days for postponement of meeting**

The number of clear days from the giving of a notice postponing the holding of a general meeting to the date specified in that notice for the holding of the postponed meeting must not be less than the number of clear days' notice of the general meeting required to be given by this Constitution or the Corporations Act.

**9.9 Business at postponed meeting**

The only business that may be transacted at a postponed general meeting is the business specified in the original notice convening the meeting.

**9.10 Proxy, attorney or Representative at postponed meeting**

Where by the terms of an instrument appointing a proxy or attorney or an appointment of a Representative:

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- (a) the appointed person is authorised to attend and vote at a general meeting or general meetings to be held on or before a specified date; and
- (b) the date for holding the meeting is postponed to a date later than the date specified in the instrument of proxy, power of attorney or appointment of Representative,

then, that later date is substituted for and applies to the exclusion of the date specified in the instrument of proxy, power of attorney or appointment of Representative unless the Member appointing the proxy, attorney or Representative gives to the Company at its Registered Office written notice to the contrary not less than 48 hours before the time to which the holding of the meeting has been postponed.

### 9.11 Non-receipt of notice

The non-receipt of notice of a general meeting or cancellation or postponement of a general meeting by, or the accidental omission to give notice of a general meeting or cancellation or postponement of a general meeting to, a person entitled to receive notice does not invalidate any resolution passed at the general meeting or at a postponed meeting or the cancellation or postponement of a meeting.

### 9.12 Director entitled to notice of meeting

A Director is entitled to receive notice of and to attend all general meetings and all separate meetings of the holders of any class of Shares in the capital of the Company and is entitled to speak at those meetings.

### 9.13 Appointment of proxy, Representative or attorney

Subject to the Corporations Act, a Member who is entitled to participate in and vote at a meeting of the Company may appoint a person as the Member's proxy, or may appoint a Representative or an attorney, to participate in and vote at the meeting for the Member.

If a Member is entitled to cast two or more votes at the meeting, the Member may appoint two proxies who may each exercise half of the Member's votes at the meeting, unless the instrument appointing the proxies specifies the proportion or number of the Member's votes that each proxy may exercise.

### 9.14 Circulating resolutions

- (a) The Company may pass a resolution without a general meeting being held if all the Members eligible to vote on the resolution in accordance with this Constitution and applicable laws if it were considered at a general meeting, have consented to the resolution in accordance with this article 9.14. The resolution is passed when the last participating Director consents to the resolution in accordance with this article 9.14.
- (b) A Member may consent to a resolution by signing a document that sets out the terms of the resolution and contains a statement to the effect that the Member is in favour of the resolution.
- (c) Alternatively, a Member may consent to a resolution by giving the Company a written notice (including by fax or other electronic means) addressed to and received by the Secretary or the chairman:
  - (i) that signifies the Member's assent to the resolution;
  - (ii) that sets out the terms of the resolution or identifies those terms; and



- (iii) if the Member has notified the Company in writing of a specified means by which his or her consent must be authenticated (including by providing particular personal information or an allocated code), that authenticates the Member's consent by those specified means.
- (d) Any document referred to in this article may be in the form of a fax or electronic notification. Separate copies of a document (including in electronic form) may be signed by the Members if the wording of the resolution and statement is identical in each copy.

#### **9.15 Sole Member resolution**

If the Company has only one Member, a resolution is passed by that Member recording it and signing the record in accordance with the Corporations Act.

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## **10 Proceedings at general meetings**

### **10.1 Number for a quorum**

Subject to article 10.4, the quorum for a general meeting is one Member holding Class A Shares and, for so long as Class B Shares constitute 15% or more of the Shares, one such Member holding Class B Shares, present in person or by proxy, attorney or Representative. In determining whether a quorum is present, each individual attending as a proxy, attorney or Representative is to be counted, except that:

- (a) where a Member has appointed more than one proxy, attorney or Representative, only one is to be counted; and
- (b) where an individual is attending both as a Member and as a proxy, attorney or Representative, that individual is to be counted once for that Member and once for each Member for whom that individual is attending as a proxy, attorney or Representative.

### **10.2 Requirement for a quorum**

An item of business may not be transacted at a general meeting unless a quorum is present when the meeting proceeds to consider it.

### **10.3 If quorum not present**

If within 60 minutes after the time appointed for a meeting a quorum is not present, the meeting stands adjourned to the same time and place four Business Days later and notice reconvening the adjourned meeting must be promptly given to all Members.

### **10.4 Adjourned meeting**

At a meeting adjourned under article 10.3, the quorum is one Member holding Class A Shares, present in person or by proxy, attorney or Representative.

### **10.5 Appointment of chairman of general meeting**

If the Directors have elected one of their number as chairman of their meetings, that person is entitled to preside as chairman at a general meeting.

### **10.6 Absence of chairman at general meeting**

If a general meeting is held and:

- (a) a chairman has not been elected by the Directors; or

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- (b) the elected chairman is not present within 15 minutes after the time appointed for the holding of the meeting or is unable or unwilling to act,

the following may preside as chairman of the meeting (in order of precedence):

- (c) a Director chosen by a majority of the Directors present;
- (d) the only Director present; or
- (e) a Member chosen by a majority of the Members present in person or by proxy, attorney or Representative.

### 10.7 Conduct of general meetings

The chairman of a general meeting:

- (a) has charge of the general conduct of the meeting and the procedures to be adopted at the meeting;
- (b) may require the adoption of any procedure which is in the chairman's opinion necessary or desirable for proper and orderly debate or discussion and the proper and orderly casting or recording of votes at the general meeting; and
- (c) may, having regard where necessary to the Corporations Act, terminate discussion or debate on any matter whenever the chairman considers it necessary or desirable for the proper conduct of the meeting,

and a decision by the chairman under this article is final.

### 10.8 Adjournment of general meeting

The chairman of a general meeting may at any time during the meeting adjourn the meeting or any business, motion, question, resolution, debate or discussion being considered or remaining to be considered by the meeting either to a later time at the same meeting or to an adjourned meeting at any time and place, but:

- (a) in exercising the discretion to do so, the chairman may, but need not, seek the approval of the Members present in person or by proxy, attorney or Representative; and
- (b) only unfinished business is to be transacted at a meeting resumed after an adjournment.

Unless required by the chairman, a vote may not be taken or demanded by the Members present in person or by proxy, attorney or Representative in respect of any adjournment.

### 10.9 Notice of adjourned meeting

It is not necessary to give any notice of an adjournment or of the business to be transacted at any adjourned meeting unless a meeting is adjourned for one month or more. In that case, notice of the adjourned meeting must be given as in the case of an original meeting.

### 10.10 Questions decided by majority

Subject to the requirements of the Corporations Act and the Shareholders' Deed, a resolution is taken to be carried if a simple majority of the votes cast on the resolution are in favour of it.

#### **10.11 No casting vote for chairman**

If there is an equality of votes the chairman of the general meeting is not entitled to a casting vote in addition to any votes to which the chairman is entitled as a Member or proxy or attorney or Representative.

#### **10.12 Voting**

Subject to the Shareholders' Deed, at any general meeting a resolution put to the vote of the meeting must be decided on a poll.

#### **10.13 Poll**

On a poll:

- (a) it must be taken in the manner and at the date and time directed by the chairman and the result of the poll is a resolution of the meeting at which the poll was taken; and
- (b) on the election of a chairman or on a question of adjournment, it must be taken immediately;

#### **10.14 Entitlement to vote**

Subject to the Shareholders' Deed, this Constitution and any rights or restrictions for the time being attached to any class or classes of Shares, on a poll, each Member present in person has one vote for each fully paid Share held by the Member and each person present as proxy, attorney or Representative of a Member has one vote for each fully paid Share held by the Member that the person represents.

#### **10.15 Joint Shareholders' vote**

If a Share is held jointly and more than one Member votes in respect of that Share, only the vote of the Member whose name appears first in the Register counts.

#### **10.16 Effect of unpaid call**

A Member is not entitled at a general meeting to cast a vote attached to a Share on which a call is due and payable and has not been paid.

#### **10.17 Validity of vote in certain circumstances**

Unless the Company has received written notice of the matter before the start or resumption of the meeting at which a person votes as a proxy, attorney or Representative, a vote cast by that person is valid even if, before the person votes:

- (a) the appointing Member dies;
- (b) the Member is mentally incapacitated;
- (c) the Member revokes the appointment or authority;
- (d) the Member revokes the authority under which the appointment was made by a third party; or
- (e) the Member transfers the Share in respect of which the appointment or authority was given.

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### 10.18 Objection to voting qualification

An objection to the right of a person to attend or vote at the meeting or adjourned meeting:

- (a) may not be raised except at that meeting or adjourned meeting; and
- (b) must be referred to the chairman of the meeting, whose decision is final.

A vote not disallowed under the objection is valid for all purposes.

### 10.19 Circulating resolutions

If the number of Members who are required to approve a matter sign and date a document (or two or more documents which are in identical terms) which was sent to all Members and contains a statement to the effect that they are in favour of the matter set out in the document, then the matter is taken to have been approved (as of the date of the last signature required to reach the number of Members required to approve such matter).

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## 11 The Directors

### 11.1 Number of Directors

The Company must have not less than one and no more than seven Directors.

### 11.2 Appointment and removal of Directors

- (a) Subject to the Corporations Act, Directors must be appointed and removed in accordance with the Shareholders' Deed.
- (b) Subject to the Shareholders' Deed, the Company in general meeting or the Directors may appoint a person to be a Director, either to fill a casual vacancy or as an additional Director.
- (c) Subject to the Shareholders' Deed, the Company in general meeting may by resolution remove a Director from office as a Director provided that if the Director was appointed to represent the interests of particular Members, the resolution to remove the Director does not take effect until a replacement Director to represent those Members' interests has been appointed.

### 11.3 Remuneration of Directors

Subject to the Shareholders' Deed, the non-executive Directors are to be remunerated for their services as Directors as determined by the Company in general meeting by resolution. The remuneration is taken to accrue from day to day.

### 11.4 Additional or special duties

Subject to the Shareholders' Deed, if a Director at the request of the Directors performs additional or special duties for the Company, the Company may remunerate that Director as determined by the Directors and that remuneration may be either in addition to or in substitution for that Director's remuneration under article 11.3.

### 11.5 Retirement benefit

Subject to the Corporations Act and the Shareholders' Deed, the Company may pay a former Director, or the personal representative of a Director who dies in office, a retirement benefit in recognition of past services of an amount determined by the Directors. The Company may also enter into a contract with a

Director providing for payment of a retirement benefit. A retirement benefit paid under this article is not remuneration to which article 11.3 applies.

#### 11.6 Expenses

Subject to the Shareholders' Deed, a Director is entitled to be reimbursed out of the funds of the Company such reasonable travelling, accommodation and other expenses as the Director may incur when travelling to or from meetings of the Directors or a Committee or when otherwise engaged on the business of the Company.

#### 11.7 Director's interests

Subject to the Shareholders' Deed and complying with the Corporations Act regarding disclosure of and voting on matters involving material personal interests, a Director may:

- (a) hold any office or place of profit in the Company, except that of auditor;
- (b) hold any office or place of profit in any other company, body corporate, trust or entity promoted by the Company or in which it has an interest of any kind;
- (c) enter into any contract or arrangement with the Company;
- (d) participate in any association, institution, fund, trust or scheme for past or present employees of the Company or Directors or persons dependent on or connected with them;
- (e) act in a professional capacity (or be a member of a firm, or an officer or employee of a body corporate, which acts in a professional capacity) for the Company, except as auditor;
- (f) participate in, vote on and be counted in a quorum for any meeting, resolution or decision of the Directors and may be present at any meeting where any matter is being considered by the Directors;
- (g) sign or participate in the execution of a document by or on behalf of the Company;
- (h) do any of the above despite the fiduciary relationship of the Director's office:
  - (i) without any liability to account to the Company for any direct or indirect benefit accruing to the Director; and
  - (ii) without affecting the validity of any contract or arrangement; and
- (i) exercise the voting power conferred by securities in any entity held by the Company, as they determine, including in circumstances where a Director may be interested in the exercise, such as a resolution appointing a Director as an officer of the entity or providing for the payment of remuneration to officers of the entity;
- (j) act as a nominee or representative of a shareholder of the Company.

A reference to the Company in this article 11.7 is also a reference to each related body corporate of the Company.

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### 11.8 Vacation of office of Director

In addition to the circumstances in which the office of a Director becomes vacant under the Corporations Act or under the Shareholders' Deed, the office of a Director becomes vacant if the Director:

- (a) is an Executive Director and ceases to be employed by the Company or a subsidiary of the Company;
- (b) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental health;
- (c) resigns from the office by notice in writing to the Company; or
- (d) is removed from office by resolution under article 11.2, but without depriving the Director of any compensation or damages payable to the Director in respect of the termination of the Director's appointment as a Director or of an appointment terminating with that appointment.

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## 12 Powers and duties of Directors

### 12.1 Directors to manage Company

The Directors are responsible for overseeing the proper management of the business of the Company and may exercise, to the exclusion of the Company at general meeting, all the powers of the Company which are not required, by the Corporations Act or by this Constitution or the Shareholders' Deed, to be exercised by the Company in general meeting. In exercising those powers, the Directors must comply with the Shareholders' Deed.

### 12.2 Specific powers of Directors

Without limiting the generality of article 12.1 and subject to the Shareholders' Deed, the Directors may exercise all the powers of the Company to borrow or raise money, to charge any property or business of the Company or all or any of its uncalled capital and to issue debentures or give any other security for a debt, liability or obligation of the Company or of any other person.

### 12.3 Appointment of attorney

The Directors may, by power of attorney, appoint any person or persons to be the attorney or attorneys of the Company for the purposes and with the powers, authorities and discretions vested in or exercisable by the Directors for such period and subject to such conditions as they think fit.

### 12.4 Provisions in power of attorney

A power of attorney granted under article 12.3 may contain such provisions for the protection and convenience of persons dealing with the attorney as the Directors think fit and may also authorise the attorney to delegate (including by way of appointment of a substitute attorney) all or any of the powers, authorities and discretions vested in the attorney.

### 12.5 Signing of cheques

The Directors may determine the manner in which and persons by whom cheques, promissory notes, bankers' drafts, bills of exchange and other negotiable instruments, and receipts for money paid to the Company, may be signed, drawn, accepted, endorsed or otherwise executed.

### 12.6 Committees

Subject to the Shareholders' Deed, the Directors may delegate any of their powers, other than powers required by law to be dealt with by Directors as a

board, to a Committee or Committees consisting of one or more of their number as they think fit.

#### **12.7 Powers delegated to Committees**

A Committee to which any powers have been delegated under article 12.6 must exercise those powers in accordance with any directions of the Directors.

#### **12.8 Appointment of Managing and Executive Directors**

Subject to the Shareholders' Deed, the Directors may appoint one or more of themselves to the office of Managing Director or as an Executive Director or to any other office (except auditor) or any position of employment with the Company for the period and on the terms they think fit.

#### **12.9 Ceasing to be a Managing or Executive Director**

Whether or not the appointment of a Managing Director or Executive Director was expressed to be for a specified term, the appointment of a Managing Director or Executive Director terminates if:

- (a) the Managing Director or Executive Director ceases for any reason to be a Director;
- (b) the Directors remove the Managing Director or Executive Director from the office of Managing Director or Executive Director (which, subject to any contract between the Company and the Managing Director or Executive Director, the Directors have power to do); or
- (c) the Managing Director or the Executive Director ceases to be employed by the Company or a Subsidiary of the Company,

unless the Managing Director or Executive Director has a separate right to be appointed as a Director under the Shareholders' Deed in which case that Managing Director or Executive Director continues as a Director in accordance with those appointment rights.

#### **12.10 Remuneration of Managing and Executive Directors**

Subject to the Shareholders' Deed, the remuneration of a Managing Director or an Executive Director may be fixed by the Directors and may be by way of salary or commission or participation in profits or by all or any of those modes, but may not be by a commission on or percentage of operating revenue.

#### **12.11 Powers of Managing and Executive Directors**

The Directors may:

- (a) confer on a Managing Director or an Executive Director such of the powers exercisable by them, on such terms and conditions and with such restrictions, as they think fit; and
- (b) withdraw or vary any of the powers conferred on a Managing Director or an Executive Director.

#### **12.12 Delegation of Directors' powers**

Subject to the Shareholders' Deed, the Directors may delegate any of their powers to any persons they select for any period, to be exercised for any objects and purposes on any terms and subject to any conditions and restrictions as they think fit, and may revoke, withdraw, alter or vary the delegation of any of those powers.

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The powers of delegation expressly or impliedly conferred by this Constitution on the Directors are conferred in substitution for, and to the exclusion of, the power conferred by section 198D of the Corporations Act.

### **12.13 Interests of holding company**

If the Company is a wholly-owned subsidiary, the Directors are authorised to act in the best interests of any company of which the Company is a wholly-owned subsidiary in the circumstances contemplated by section 187 of the Corporations Act.

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## **13 Proceedings of Directors**

### **13.1 Directors' meetings**

The Directors may meet together for the dispatch of business and adjourn and otherwise regulate their meetings as required by the Shareholders' Deed and, in other cases, as they think fit.

### **13.2 Director may convene a meeting**

Subject to the Shareholders' Deed, a Director may at any time, and the Secretary must on the written request of a Director, convene a meeting of the Directors with at least four Business Days' prior written notice to be given to all Directors or such lesser period agreed from time to time by all Directors.

### **13.3 Use of technology for Directors' meetings**

A Directors' meeting may be called or held using any technology consented to by all the Directors. The consent may be a standing one. A Director may only withdraw their consent within a reasonable period before the meeting.

### **13.4 Voting entitlement of Directors**

Subject to the Shareholders' Deed, each Director is entitled to one vote at a meeting of the Board.

### **13.5 Board decisions**

Except to the extent that the Shareholders' Deed provides otherwise, all actions or resolutions of the Board will be made by the affirmative vote of a Simple Majority of Directors.

### **13.6 Alternate Director or proxy and voting**

A person who is present at a meeting of Directors as an Alternate Director or as a proxy for another Director has one vote for each absent Director who would be entitled to vote if present at the meeting and for whom that person is an Alternate Director or proxy and, if that person is also a Director, has one vote as a Director in that capacity.

### **13.7 Chairman of Directors**

If the Shareholders' Deed deals with the appointment and removal of the chairman of a meeting of Directors, the chairman must be appointed and removed in accordance with the Shareholders' Deed. Otherwise the Directors may elect one of their number as chairman of their meetings and may also determine the period for which the person elected as chairman is to hold office.

### **13.8 Absence of chairman at Directors' meeting**

If a Directors' meeting is held and:



- (a) a chairman has not been elected under article 13.7 or as provided under the Shareholders' Deed (if applicable); or
- (b) the chairman is not present within 10 minutes after the time appointed for the holding of the meeting or is unable or unwilling to act,

the Directors present must elect one of their number to be chairman of the meeting.

### **13.9 Chairman's casting vote at Directors' meeting**

The chairman of the Directors' meeting does not have a casting vote.

### **13.10 Appointment of Alternate Director**

Subject to the Corporations Act and the Shareholders' Deed, a Director may appoint a person approved by a majority of the other Directors to be an Alternate Director in the Director's place for any period the Director thinks fit.

### **13.11 Alternate Director and meetings**

An Alternate Director is entitled to notice of all meetings of the Directors and, if the appointor does not participate in a meeting, the Alternate Director is entitled to participate and vote in the appointor's place.

### **13.12 Alternate Director's powers**

An Alternate Director may exercise all the powers of the appointor except the power to appoint an Alternate Director and, subject to the Corporations Act, may perform all the duties of the appointor except to the extent that the appointor has exercised or performed them.

### **13.13 Alternate Director responsible for own acts and defaults**

While acting as a Director, an Alternate Director:

- (a) is an officer of the Company and not the agent of the appointor; and
- (b) is responsible to the exclusion of the appointor for the Alternate Director's own acts and defaults.

### **13.14 Alternate Director and remuneration**

An Alternate Director is not entitled to receive from the Company any remuneration or benefit under article 11.3 or 11.5

### **13.15 Termination of appointment of Alternate Director**

The appointment of an Alternate Director may be terminated at any time by the appointor even if the period of the appointment of the Alternate Director has not expired, and terminates in any event if the appointor ceases to be a Director for any reason.

### **13.16 Appointment or termination**

An appointment, or the termination of an appointment, of an Alternate Director must be effected by a notice signed by the Director who makes or made the appointment and delivered to the Company.

### **13.17 Alternate Director and number of Directors**

An Alternate Director is not to be taken into account separately from the appointor in determining the number of Directors.

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### 13.18 Director attending and voting by proxy

A Director may participate in and vote by proxy at a meeting of the Directors if the proxy:

- (a) is another Director; and
- (b) the appointment is signed by the appointor.

The appointment may be general or for one or more particular meetings. A Director present as a proxy for another Director, who would be entitled to vote if present at the meeting, has one vote for the appointor and one vote in his or her own capacity as a Director.

### 13.19 Quorum for Directors' meeting

Subject to the Shareholders' Deed, at a meeting of Directors, the number of Directors whose presence in person or by proxy is necessary to constitute a quorum is one Class A Director and, for so long as one or more Class B Directors is appointed, one Class B Director.

### 13.20 If quorum not present

If within 60 minutes after the time appointed for a meeting a quorum is not present, the meeting stands adjourned to the same time and place four Business Days later and notice reconvening the adjourned meeting must be promptly given to all Directors.

### 13.21 Adjourned meeting

At a meeting adjourned under article 13.20, the quorum is one Class A Director.

### 13.22 Continuing Directors may act

The continuing Directors may act despite a vacancy in their number. If their number is reduced below the minimum fixed by article 11.1, the continuing Directors may, except in an emergency, act only for the purpose of filling vacancies to the extent necessary to bring their number up to that minimum or to convene a general meeting.

### 13.23 Chairman of Committee

The members of a Committee may elect one of their number as chairman of their meetings. If a meeting of a Committee is held and:

- (a) a chairman has not been elected; or
- (b) the chairman is not present within 10 minutes after the time appointed for the holding of the meeting or is unable or unwilling to act,

the members involved may elect one of their number to be chairman of the meeting.

### 13.24 Meetings of Committee

A Committee may meet and adjourn as it thinks proper.

### 13.25 Determination of questions

Questions arising at a meeting of a Committee are to be determined by a Simple Majority. The chairman of the meeting does not have a casting vote.

### 13.26 Circulating resolutions

- (a) Subject to the Shareholders' Deed, the Directors may pass a resolution without a Directors' meeting being held if a document containing the resolution is circulated to all Directors and passed by a Simple Majority of Directors signing a document containing a statement that they are in favour of the resolution set out in the document.
- (b) The resolution is passed when the last participating Director consents to the resolution in accordance with this article 13.26(a). The resolution is not invalidated if it is consented to by a Director who is not entitled to vote.
- (c) A Director may consent to a resolution by signing a document that sets out the terms of the resolution and contains a statement to the effect that the Director is in favour of the resolution.
- (d) Alternatively, a Director may consent to a resolution by giving the Company a written notice (including by fax or other electronic means) addressed to and received by the Secretary or the chairman:
  - (i) that signifies the Director's assent to the resolution;
  - (ii) that sets out the terms of the resolution or identifies those terms; and
  - (iii) if the Director has notified the Company in writing of a specified means by which his or her consent must be authenticated (including by providing particular personal information or an allocated code), that authenticates the Director's consent by those specified means.
- (e) Any document referred to in this article may be in the form of a fax or electronic notification. Separate copies of a document (including in electronic form) may be signed by the Directors if the wording of the resolution and statement is identical in each copy.
- (f) This article 13.26 applies to resolutions of Committees as if the references to Directors were references to Committee members.

### 13.27 Sole Director resolution

If the Company has only one Director, a resolution is passed by that Director by recording it and signing the record in accordance with the Corporations Act.

### 13.28 Validity of acts of Directors

All acts done at a meeting of the Directors or of a Committee, or by a person acting as a Director are, even if it is afterwards discovered that:

- (a) there was a defect in the appointment or continuance in office of a person as a Director or of the person so acting; or
- (b) a person acting as a Director was disqualified or was not entitled to vote,

as valid as if the relevant person had been duly appointed or had duly continued in office and was qualified and entitled to vote.

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### **14 Secretary**

#### **14.1 Appointment of Secretary**

The Company may, but need not, have one or more Secretaries who are to be appointed by the Directors.

#### **14.2 Suspension and removal of Secretary**

The Directors may suspend or remove a Secretary from that office.

#### **14.3 Powers, duties and authorities of Secretary**

A Secretary holds office on the terms and conditions (including as to remuneration) and with the powers, duties and authorities, as determined by the Directors. The exercise of those powers and authorities and the performance of those duties by a Secretary is subject at all times to the control of the Directors.

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### **15 Seals**

#### **15.1 Safe custody of common seals**

The Directors must provide for the safe custody of any seal of the Company.

#### **15.2 Use of common seal**

If the Company has a common seal or duplicate common seal:

- (a) it may be used only by the authority of the Directors, or of a Committee authorised by the Directors to authorise its use; and
- (b) every document to which it is affixed must be signed by a Director and be countersigned by another Director, a Secretary or another person appointed by the Directors to countersign that document or a class of documents in which that document is included.

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### **16 Inspection of records**

#### **16.1 Inspection by Members**

Subject to the Corporations Act and the Shareholders' Deed, the Directors may determine whether, to what extent, at what time and places and under what conditions the accounting records and other documents of the Company or any of them will be open to the inspection of Members (other than Directors).

#### **16.2 Right of a Member or other person to inspect**

A Member or other person (other than a Director or, if relevant, a holding company of the Company) does not have the right to inspect any document of the Company except as provided by law or the Shareholders' Deed or as authorised by the Directors or by the Company in general meeting.

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### **17 Dividends and reserves**

#### **17.1 Payment of dividend**

Subject to the Corporations Act, this Constitution, the Shareholders' Deed and the terms of issue or rights of any Shares with special rights to dividends, the Directors may declare or determine that a dividend is payable, fix the amount and the time for payment and authorise the payment or crediting by the Company to, or at the direction of, each Member entitled to that dividend, provided that:

- (a) for so long as there are both Class A Shares and Class B Shares on issue, the Directors must not declare or determine that a dividend is payable on:
  - (i) the Class A Shares unless it makes a corresponding declaration or determination to pay a dividend on the Class B Shares of the same amount per Class B Share, payable at the same time and in the same manner; or
  - (ii) the Class B Shares unless it makes a corresponding declaration or determination to pay a dividend on the Class A Shares of the same amount per Class A Share, payable at the same time and in the same manner; and
- (b) each Class A Share and each Class B Share ranks for payment of dividends equally with each Class A Share and each Class B Share.

The Directors may rescind or alter any such determination before payment is made.

#### 17.2 No interest on dividends

Interest is not payable by the Company on a dividend.

#### 17.3 Calculation and apportionment of dividends

Subject to the rights of any persons entitled to Shares with special rights as to dividend and to the terms of issue of any Shares to the contrary, all sums that the Company determines are to be distributed among the Members as dividends are divisible among the Members so that, on each occasion on which a dividend is paid:

- (a) the same sum is paid on each fully paid Share in a specified class; and
- (b) the sum paid on a partly paid Share is the proportion of the sum referred to in article 17.3(a) that the amount paid on the partly paid Share bears to the total of the amounts paid and payable on the Share.

To determine the amount paid on a Share, exclude any amount:

- (c) paid or credited as paid in advance of a call; and
- (d) credited as paid on a Share to the extent that it exceeds the value (ascertained at the time of issue of the Share) of the consideration received for the issue of the Share.

All dividends are to be apportioned and paid proportionately to the amounts paid on the Shares during any portion or portions of the period for which the dividend is paid, but, if any Share is issued on terms providing that it will rank for dividend as from a particular date, that Share ranks for dividend accordingly.

#### 17.4 Distribution of specific assets

Subject to the Shareholders' Deed, when resolving to pay a dividend or to return capital by a reduction of capital or otherwise, the Directors may:

- (a) resolve that the dividend or return of capital be satisfied either wholly or partly by the distribution of specific assets to some or all of the persons entitled to the dividend or return of capital including Shares, debentures

# ANNEXURE F

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or other securities of the Company or any other body corporate or trust;  
and

- (b) direct that the dividend or return of capital payable in respect of any particular Shares be satisfied wholly or partly by such a distribution and that the dividend or return of capital payable in respect of other Shares be paid in cash.

### 17.5 Ancillary powers regarding distributions

- (a) In relation to any decision to pay a dividend or to return capital by a reduction of capital or otherwise, the Directors may:
  - (i) settle any difficulty that arises in making the distribution as they think expedient and in particular:
    - (A) make cash payments in cases where Members are entitled to fractions of Shares, debentures or other securities;
    - (B) decide that amounts or fractions of less than a particular value decided by the Directors may be disregarded in order to adjust the rights of all parties by withholding assets, cash, Shares, debentures or other securities where the Company is required to make a payment in respect of the Member to a government or taxing authority in relation to the distribution or issue; and
    - (C) decide to make distributions by disregarding transfers of Shares or aggregating parcels of Shares where they form the opinion that shareholdings have been split or aggregated to obtain the benefit of rounding on fractions of Shares;
  - (ii) fix the value for distribution of any specific assets;
  - (iii) pay cash or issue Shares, debentures or other securities to any Member in order to adjust the rights of all parties;
  - (iv) vest any of those specific assets, cash, Shares, debentures or other securities in a trustee or nominee on trust for the persons entitled to the distribution or capitalised amount, on any terms that seem expedient to the Directors; and
  - (v) authorise any person to make, on behalf of the Members, or a particular Member, entitled to any specific assets, cash, Shares, debentures or other securities as a result of the decision, an agreement (including in writing) with the Company or another person which provides as appropriate, for the distribution or issue to them of the assets, cash, Shares, debentures or other securities and by supplying to them their respective proportions of the amount resolved to be distributed.
- (b) Any agreement made under an authority referred to in article 17.5(a)(v) is effective and binds all Members concerned.
- (c) Instead of making a distribution or issue of specific assets, Shares, debentures or other securities to a particular Member, the Directors may make a cash payment to that Member or allocate some or all of the assets, Shares, debentures or other securities to a trustee to be sold on behalf of, and for the benefit of, or in respect of, that Member, if:

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- (i) the distribution or issue would otherwise be illegal or unlawful;
  - (ii) in the Directors' discretion, the distribution or issue would, for any reason, be impracticable; or
  - (iii) the Member so agrees.
- (d) If the Company distributes to Members (either generally or to specific Members) Shares, debentures or securities of the Company or another body corporate or trust (whether as a dividend or return of capital or otherwise and whether or not for value), each of those Members appoints the Company, and any officer of the Company nominated on their behalf by the Directors, as his or her agent or attorney, to do anything needed or desirable to give effect, or assist in giving effect, to that distribution, including agreeing to become a member, holder of Shares, holder of debentures or holder of securities of the Company or that other body corporate or trust.

#### 17.6 Payments in respect of Shares

A dividend, interest or other money payable in cash in respect of Shares may be paid using any payment method chosen by the Company, including:

- (a) by cheque sent through the post directed to the address in the Register of the holder or, in the case of joint holders, to the address of the joint holder first named in the Register;
- (b) by cheque sent through the post directed to such other address as the holder or joint holder directs in writing; or
- (c) by some other method of direct credit determined by the Directors to the holder or holders shown on the Register or to such person or place directed by them.

#### 17.7 Effectual receipt from one joint holder

Any one of two or more joint holders may give an effectual receipt for any dividend, interest or other money payable in respect of the Shares held by them as joint holders.

#### 17.8 Election to reinvest dividend

Subject to the Shareholders' Deed, the Directors may grant to Members or any class of Members the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit.

#### 17.9 Election to accept Shares instead of dividends

The Directors may determine for any dividend which it is proposed to pay on any Shares of the Company that holders of the Shares may elect:

- (a) to forego the right to share in the proposed dividend or part of such proposed dividend; and
- (b) to receive instead an issue of Shares credited as fully paid on such terms as the Directors think fit.

#### 17.10 Unclaimed dividends

Unclaimed dividends may be invested by the Directors as they think fit for the benefit of the Company until claimed or until required to be dealt with in accordance with any law relating to unclaimed moneys.

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### **18 Capitalisation of profits**

#### **18.1 Capitalisation of reserves and profits**

The Directors:

- (a) may resolve to capitalise any sum, being the whole or a part of the amount for the time being standing to the credit of any reserve account or the profit and loss account or otherwise available for distribution to Members; and
- (b) may, but need not, resolve to apply the sum in any of the ways mentioned in article 18.2, for the benefit of Members in the proportions to which those Members would have been entitled in a distribution of that sum by way of dividend.

#### **18.2 Applying a sum for the benefit of Members**

The ways in which a sum may be applied for the benefit of Members under article 18.1 are:

- (a) in paying up any amounts unpaid on Shares held by Members;
- (b) in paying up in full unissued Shares or debentures to be issued to Members as fully paid; or
- (c) partly as mentioned in article 18.2(a) and partly as mentioned in article 18.2(b).

#### **18.3 Implementing the resolution**

The Directors may do all things necessary to give effect to a resolution under article 18.1 and in particular, to the extent necessary to adjust the rights of the Members among themselves, may:

- (a) make cash payments in cases where Shares or debentures become issuable in fractions;
- (b) authorise any person to make, on behalf of all or any of the Members entitled to any further Shares or debentures on the capitalisation, an agreement with the Company providing for:
  - (i) the issue to them, credited as fully paid up, of any further Shares or debentures; or
  - (ii) the payment by the Company on their behalf of the amounts or any part of the amounts remaining unpaid on their existing Shares by the application of their respective proportions of the sum resolved to be capitalised,

and any agreement so made is effective and binding on all the Members concerned;

- (c) fix the value of specified assets; or
- (d) vest property in trustees.



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## **19 Service of documents**

### **19.1 Document includes notice**

In this article 19, a reference to a document includes a notice and a notification by electronic means.

### **19.2 Form of document**

Unless expressly stated otherwise in this Constitution, all notices, certificates, statements, demands, appointments, directions and other documents referred to in this Constitution must be in writing.

### **19.3 Methods of service**

The Company may give a document to a Member:

- (a) personally;
- (b) by delivering it or sending it by post to the address for the Member in the Register or an alternative address nominated by the Member;
- (c) by sending it to a fax number or electronic address nominated by the Member; or
- (d) by notifying the Member by an electronic means nominated by the Member that:
  - (i) the document is available; and
  - (ii) how the Member may use the nominated access means to access the document.

### **19.4 Post**

A document sent by post:

- (a) if sent to an address in Australia, may be sent by ordinary post; and
- (b) if sent to an address outside Australia, must be sent by airmail,

and, in either case, is taken to have been given and received on the day after the day of its posting.

### **19.5 Fax or other electronic means**

A document sent or given by electronic means:

- (a) is taken to be effected by properly addressing and transmitting the electronic transmission; and
- (b) is taken to have been given and received on the day after the date of its transmission.

### **19.6 Electronic means**

A document made available by electronic means is taken to have been given and received on the day after the date of transmission of the notification specifying that the document is available and how it can be accessed.

### **19.7 Evidence of service**

A certificate signed by a Director or a Secretary stating that a document was sent, delivered or given to a Member personally, by post, fax or other electronic

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means on a particular date is evidence that the document was sent, delivered or given on that date and by that means.

### **19.8 Joint holders**

A document may be given by the Company to the joint holders of a share by giving it to the joint holder first named in the Register for the Share.

### **19.9 Persons entitled to Shares**

A person who by operation of law, transfer or other means whatsoever becomes entitled to any Share is absolutely bound by every document given in accordance with this article 19 to the person from whom that person derives title prior to registration of that person's title in the Register.

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## **20 Winding up and other Liquidity Events**

### **20.1 Allocation of Proceeds generally**

On a Liquidity Event (other than a winding up), Members will cause the Proceeds to be applied and paid to those Members participating in the relevant Liquidity Event in the following order of priority:

- (a) in paying to the participating holders of Shares, the amount paid up or credited as paid up on each Share; and then
- (b) in paying the balance of the Proceeds to the participating holders of Shares pro rata to the total numbers of Shares held by them.

### **20.2 Allocation of Proceeds on a winding up**

On a winding up of the Company, Members will cause the Proceeds to be applied in the following order of priority:

- (a) in paying to the participating holders of Shares, the amount paid up or credited as paid up on each Share; and then
- (b) in paying the balance of the Proceeds to the participating holders of Shares pro rata to the total numbers of Shares held by them.

### **20.3 Exception**

The allocation of Proceeds in article 20.1 for a Liquidity Event does not apply to the extent the relevant Members entitled to the relevant Proceeds otherwise agree in writing in connection with that Liquidity Event.

### **20.4 Distribution of assets**

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Members in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the Members or different classes of Members provided that holders of Class A Shares on the one hand and Class B shares on the other must be treated equally.

### **20.5 Powers of liquidator to vest property**

The liquidator may, with the sanction of a special resolution of the Company, vest the whole or any part of any such property in trustees on such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Member is compelled to accept any Shares or other securities in respect of which there is any liability.

## 20.6 Shares issued on special terms

Articles 20.1 and 20.5 do not prejudice or affect the rights of a Member holding Shares issued on special terms and conditions.

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## 21 Indemnity and insurance

### 21.1 Indemnity

The Company must indemnify any current or former Director, Alternate Director, Secretary or senior manager of the Company or of a Subsidiary of the Company out of the property of the Company against:

- (a) any liability incurred by the person in that capacity (except a liability for legal costs);
- (b) legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity; and
- (c) legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer of the Company or a subsidiary, if that expenditure has been approved in accordance with the Company's policy,

except to the extent that:

- (d) the Company is forbidden by law to indemnify the person against the liability or legal costs; or
- (e) an indemnity by the Company of the person against the liability or legal costs, if given, would be made void by law.

### 21.2 Insurance

The Company may pay or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a person who is or has been a Director, Alternate Director, Secretary, officer or senior manager of the Company or of a subsidiary of the Company against liability incurred by the person in that capacity, including a liability for legal costs, unless:

- (a) the Company is forbidden by law to pay or agree to pay the premium; or
- (b) the contract would, if the Company paid the premium, be made void by law.

### 21.3 Contract

The Company may enter into an agreement with a person referred to in articles 21.1 and 21.2 with respect to the matters covered by those articles. An agreement entered into pursuant to this article may include provisions relating to rights of access to the books of the Company conferred by the Corporations Act or otherwise by law.

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## 22 Proprietary Company

The Company is a proprietary company and accordingly:

- (a) the number of Members:

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- (i) counting joint holders of a particular parcel of Shares in the Company as one person; and
  - (ii) excluding:
    - (A) each Member who is an employee of the Company or of a subsidiary of the Company; and
    - (B) each Member who became a Member at a time when that member was an employee of the Company or of a subsidiary of the Company
- must not exceed 50; and
- (b) the Company may not engage in anything that would require disclosure to investors under Chapter 6D of the Corporations Act, other than an offer of Shares to:
    - (i) a Member; or
    - (ii) a person in the employment of the Company or of a subsidiary of the Company.

# ANNEXURE G

## AOG L.P. PARTNERSHIP AGREEMENT

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**APPLEBY**

Dated September , 2019

- (1) **AOG GP LIMITED**
- (2) **APPLEBY GLOBAL TRUST SERVICES (BERMUDA) LTD. AS TRUSTEES OF THE AOG PURPOSE TRUST**

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**LIMITED PARTNERSHIP AGREEMENT**

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In respect of  
AOG L.P.

EXECUTION VERSION

# ANNEXURE G

## AOG L.P. PARTNERSHIP AGREEMENT CONT

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**THIS FIRST AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT** of AOG L.P. (**Partnership**) dated as of September , 2019 is made

**BETWEEN:**

- (1) **AOG GP Limited**, a company incorporated under the laws of Bermuda, having its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda (**General Partner**); and
- (2) **Appleby Global Trust Services (Bermuda) Ltd. as Trustees of the AOG Purpose Trust**, a purpose trust formed under the laws of Bermuda, having its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda (the **Initial Limited Partner**).

**WHEREAS**, the General Partner and the Initial Limited Partner formed the Partnership pursuant to a Limited Partnership Agreement dated as of July 18, 2019 (**Initial LPA**);

**WHEREAS**, (i) BSREP III Australia Sub GP Pty Ltd as general partner of BSREP III Australia Sub Limited Partnership; (ii) BSREP III Bermuda GP of GP Limited as general partner of BSREP III Bermuda GP L.P. as general partner of BSREP III Hydra Bermuda Sub Brookfield L.P.; (iii) BSREP III Bermuda GP of GP Limited as general partner of BSREP III Bermuda GP L.P. as general partner of BSREP III Hydra Bermuda Sub L.P.; (iv) BSREP III Bermuda GP of GP Limited as general partner of BSREP III Bermuda GP L.P. as general partner of BSREP III Hydra Bermuda Sub-B L.P.; and (v) Hydra RL TopCo Pty Ltd (**Company**) have entered into a Shareholders' Deed dated on or about the date of this Agreement in relation to the affairs of the Company (**Shareholders' Deed**);

**WHEREAS**, it is proposed that the Company will issue Class B Securities to the Partnership and the Partnership will accede to the Shareholders' Deed and issue Limited Partnership B1 Units to security holders of the Target pursuant to the Schemes (the holders of Limited Partnership Units from time to time being **Limited Partners**); and

**WHEREAS**, the General Partner and the Initial Limited Partner wish to amend the Initial LPA by making the modifications reflected herein and to restate the Initial LPA as so amended and this Agreement shall replace the Initial LPA in its entirety.

**NOW THEREFORE** the General Partner and the Initial Limited Partner (collectively, and together with all additional partners admitted from time to time, the **Partners**) hereby agree as follows:

1. **DEFINITIONS AND INTERPRETATION**

- 1.1 Unless the context otherwise requires, capitalised terms in this Agreement have the same meaning as in the Shareholders' Deed.

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## AOG L.P. PARTNERSHIP AGREEMENT CONT

1.2 Schedule 1 of this Agreement sets out special terms (**Special Terms**) that address how the Partnership and the Partners must respond to particular matters affecting the Partnership relevant to the Company and the Shareholders' Deed. The Special Terms will only apply for so long as the Partnership is a party to the Shareholders' Deed. While the Special Terms apply, if there is any inconsistency between any other part of this Agreement and the Special Terms, the Special Terms will prevail.

### 2. **SPECIAL TERMS HAVE PRIMACY**

2.1 Despite any other provision of this Agreement, the General Partner must comply with the Special Terms at all times while the Partnership is a party to the Shareholders' Deed.

2.2 Should any consent or exercise of power or discretion be required at any time by the General Partner to comply with the Special Terms, the General Partner will give that consent and exercise its powers and discretions accordingly to the extent possible under applicable law including the Partnership Acts.

2.3 The General Partner may not exercise any power or discretion to depart from, or in a manner which is inconsistent with, this clause 2.

### 3. **FORMATION**

The Partnership is formed pursuant to the Limited Partnerships Act 1883 of Bermuda, Partnership Act 1902 of Bermuda, and the Exempted Partnerships Act 1992 of Bermuda (together, the **Partnership Acts**).

### 4. **CERTIFICATE OF PARTICULARS OF A LIMITED PARTNERSHIP: CERTIFICATE OF PARTICULARS OF AN EXEMPTED PARTNERSHIP**

The General Partner shall file a Certificate of Particulars of a Limited Partnership and a Certificate of Particulars of an Exempted Partnership (**Certificates**) with the Registrar of Companies in Bermuda and the Partners shall take such further action as shall be appropriate to comply with all requirements of the formation and operation of an exempted limited partnership in Bermuda, and all other jurisdictions where the Partnership may elect to do business.

### 5. **NAME**

The name of the Partnership is "AOG L.P.". The General Partner shall have the power to change the name of the Partnership and shall give prompt notice of any such change to each Partner.

### 6. **CHARACTER OF BUSINESS**

The sole purpose of this Partnership is to: (i) acquire, hold, transfer, sell, dispose of, exchange, vote or otherwise exercise all rights, powers, privileges and other incidents of



ownership or possession with respect to Securities and other interests in the Company; and (ii) to engage in any other business or activity that now or hereafter may be necessary to accomplish the foregoing purposes and that is not forbidden by the law of the jurisdiction in which the Partnership engages in that business.

7. **REGISTERED OFFICE**

The registered office and principal place of business of the Partnership is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda, or at such place as may be designated by the General Partner.

8. **RESIDENT REPRESENTATIVE**

The resident representative of the Partnership shall be Appleby Global Corporate Services (Bermuda) Ltd of Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda, or such other person as may be appointed by the General Partner.

9. **CAPITAL**

9.1 The Partnership shall issue:

- (a) units to represent interests in the Partnership which may be issued to the General Partner (**General Partnership Units**);
- (b) units to represent interests in the Partnership which may be issued to a Limited Partner (**Limited Partnership Units**), being classified as either:
  - (i) B1 units (**Limited Partnership B1 Units**); or
  - (ii) B2 units (**Limited Partnership B2 Units**); and
- (c) B2 loan notes (**Limited Partnership B2 Notes**), which may be issued to eligible subscribers in accordance with this Agreement,

in accordance with and subject to the terms of this Agreement.

9.2 The General Partner shall contribute US\$1.00 to the capital of the Partnership and shall be issued one (1) General Partnership Unit in respect thereof which unit shall entitle the General Partner to all the rights of a general partner of an exempted limited partnership under Bermuda law.

9.3 The Initial Limited Partner shall contribute US\$99.00 to the capital of the Partnership and shall be issued 99 Limited Partnership B1 Units in respect thereof (**Initial Limited Partnership Units**) which units shall entitle the Initial Limited Partner to all the rights of a limited partner of an exempted limited partnership under Bermuda law as modified pursuant to the terms of this Agreement to the extent permitted by applicable law.

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## AOG L.P. PARTNERSHIP AGREEMENT CONT

- 9.4 No additional capital contributions by the Partners are required, but additional contributions can be made with the consent of the General Partner. The General Partner shall maintain a capital account in respect of the contributions and distributions or payments relating to the Limited Partners. Other than in respect of the initial General Partnership Unit and Initial Limited Partnership Units, any cash contributions, distributions or payments shall be made in Australian dollars. A Partner's contributions to the Partnership in cash or kind shall be reflected in a capital account record maintained by the General Partner. A Limited Partner may inspect the capital account record and other books of account and records of the affairs of the Partnership at the registered office of the Partnership at any time with reasonable notice, however, a Limited Partner will not be permitted to inspect the register of Limited Partners except so far as is necessary for the Limited Partner to confirm the number of Limited Partnership Units or Limited Partnership B2 Notes it holds.
- 9.5 The General Partner may only issue Limited Partnership Units and Limited Partnership B2 Notes in respect of additional contributions in accordance with the terms of this Agreement.
- 9.6 Subject to the Special Terms, the Partnership shall distribute all available income of the Partnership to the Limited Partners as follows:
- (a) first, in respect of any payments made by the Company relating to:
    - (i) Class B1 Notes, to the holders of Limited Partnership B1 Units in proportion to the Limited Partnership B1 Units held by the relevant Limited Partners; and
    - (ii) Class B2 Notes, to the holders of Limited Partnership B2 Notes in proportion to the Limited Partnership B2 Notes held by the relevant Limited Partners; and
  - (b) second, in respect of any Dividends or other payments made by the Company relating to Class B Shares, to Limited Partners in proportion to the Limited Partnership Units held by each Limited Partner,

and shall make such distributions as soon as practicable following the receipt of any relevant payment or Dividend from the Company, provided that no distribution shall be made that would violate applicable law and provided that all distributions shall be made in Australian dollars. Available income shall be assessed by the General Partner, acting reasonably and having regard to right of indemnity under clause 15 of this Agreement. For the avoidance of doubt, the General Partner may withhold a reasonable amount from any distribution to be made pursuant to clause 9.6(b) in order to meet the Partnership's reasonable current and future out-of-pocket expenses and internal costs associated with the ordinary course of its duties (including third party costs and obligations) to the extent such out-of-pocket expenses and internal costs have not been satisfied by the Company, and provided that the General Partner has first used all reasonable endeavours to exercise its rights of recovery against the Company, without breaching this clause 9.6.

9.7 The Partnership, at the discretion of the General Partner, may purchase for cancellation or repay any outstanding Limited Partnership Units or Limited Partnership B2 Notes.

9.8 No person may be issued or hold Limited Partnership B2 Notes unless they are a Limited Partner. Any Transfer or purported Transfer of Limited Partnership Units or Limited Partnership B2 Notes that would result in a person other than a Limited Partner holding Limited Partnership B2 Notes will not be valid and will not be registered by the General Partner.

10. **WITHDRAWALS: RETURN OF CAPITAL**

The Initial Limited Partner shall withdraw from the Partnership upon the admission of an additional limited partner or partners to the Partnership, and upon such withdrawal, its capital contribution shall be returned, the Initial Limited Partnership Units shall be cancelled without any further action by the Initial Limited Partner and the records of the Partnership shall reflect the cancellation of the Initial Limited Partnership Units. The withdrawal of a Limited Partner hereunder shall not cause the dissolution of the Partnership, and all Partners shall continue to be subject to the provisions of this Agreement in all respects. The General Partner shall have no right to withdraw from the Partnership.

11. **ADMISSION OF ADDITIONAL PARTNERS**

11.1 Additional limited partners (**Additional Limited Partners**) may be admitted to the Partnership by the General Partner, subject to the Schemes and the terms of this Agreement. The General Partner may issue Limited Partnership Units and Limited Partnership B2 Notes in respect of contributions by Additional Limited Partners on such terms and in such number as the General Partner may, in its sole discretion, determine in accordance with this Agreement. No person may become an Additional Limited Partner without having delivered a written agreement, in a form approved by the General Partner, to become a party to this Agreement (as may be amended from time to time) and be bound by its terms. The prior consent of existing Limited Partners shall not be required to admit Additional Limited Partners and the admission of Additional Limited Partners shall not dissolve the Partnership, and all Partners shall continue to be subject to the provisions of this Agreement in all respects.

11.2 A successor general partner may be appointed with the written consent of the Company and shall be admitted to the Partnership as the general partner, subject to the requirements of the Limited Partnership Act and the Exempted Partnerships Act, effective immediately prior to the withdrawal of the General Partner. Any such successor shall conduct the affairs of the Partnership without dissolution. In each case, the admission shall be subject to the successor general partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission. Any such successor is hereby authorized to and shall, subject to the terms hereof conduct the affairs of the Partnership without dissolution and shall be deemed to ratify and confirm all contracts, agreements, assignments and instruments entered into on behalf of the Partnership, in accordance with this Agreement, including,

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## AOG L.P. PARTNERSHIP AGREEMENT CONT

without limitation, the granting of any charge or security interest over the assets and the assumption of any indebtedness in connection with the affairs of the Partnership.

### 12. **NO ASSIGNMENT**

12.1 Subject to clause 12.2 and Special Terms 9, 10 and 13.6, no Partner may pledge, sell, assign or otherwise transfer its interest in the Partnership or its Limited Partnership B2 Notes without the consent of the General Partner. The General Partner must consent to an assignment that takes place by way of a transfer of Limited Partnership Units or Limited Partnership B2 Notes as permitted by and in accordance with the Special Terms. The assignment by any Limited Partner hereunder shall not cause the dissolution of the Partnership, and all Partners shall continue to be subject to the provisions of this Agreement in all respects.

12.2 A Limited Partner may pledge or otherwise grant security over its interest in the Partnership or its Limited Partnership B2 Notes provided that the party to which they are pledged or which takes security commits, in terms acceptable to the General Partner acting reasonably, that any enforcement or realisation of the pledge or other security will be in compliance with this Agreement and, where applicable, the Shareholders' Deed.

### 13. **TERM; DISSOLUTION; CONTINUATION OF PARTNERSHIP**

13.1 The term of the Partnership commenced on July 18, 2019, the date of registration of the Certificates, and shall continue until terminated by the first to occur of:

- (a) the mutual agreement of all the Partners;
- (b) the Partnership ceasing to hold any Securities or other material assets; or
- (c) the bankruptcy, or dissolution of the General Partner where it has not been possible to appoint a successor in accordance with clause 11.2 within 5 Business Days of the commencement of such event,

provided however that, unless required by the Partnership Acts, the Partnership will not be terminated at any time while it holds any Securities issued by the Group.

13.2 If there is a change in applicable law which results:

- (a) in the prohibition or likely prohibition of the structure of the Partnership to be a Class B Securityholder; or
- (b) in a materially detrimental commercial impact on Limited Partners,

all Partners must consult reasonably for the purposes of agreeing appropriate action which must not be adverse to the Limited Partners and may include requesting written consent of the Class A Securityholders to a transfer of the Class B Securities held by the Partnership.

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14. **MANAGEMENT; TAX**

- 14.1 The General Partner may act for the Partnership in all matters.
- 14.2 The General Partner shall have full and complete charge of the management and control of the Partnership's business and its assets, subject to the terms and conditions of this Agreement.
- 14.3 For greater certainty, the General Partner shall determine the accounting methods for the Partnership and have responsibility for determining treatment of income, gain, loss, and all deductions or credits relating to tax filings in any jurisdiction to which the Partnership may be subject, and for making any required filings, or elections or other actions relating to tax.

15. **INDEMNITY**

- 15.1 Subject to the proviso below, the General Partner and any Director, Officer, committee member, liquidator, manager or trustee of the General Partner for the time being acting in relation to the affairs of the Partnership (each an **Indemnified Person**), and its heirs, executors and administrators shall be indemnified and held harmless out of the assets of the Partnership against all liabilities, loss, damage, cost or expense (including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by it by or by reason of any act done, conceived in or omitted in the proper conduct of the Partnership's business or in the proper discharge of its duties and the indemnity contained in this clause shall extend to any Indemnified Person acting in any office or trust in the reasonable belief that it has been appointed or elected to such office or trust notwithstanding any defect in such appointment or election PROVIDED ALWAYS that the indemnity contained in this clause shall not extend to any matter which would render it void pursuant to the Partnership Acts or in the event of fraud, gross negligence, wilful misconduct or dishonesty of such Indemnified Person.
- 15.2 EVERY INDEMNIFIED PERSON SHALL BE INDEMNIFIED OUT OF THE ASSETS OF THE PARTNERSHIP AGAINST ALL LIABILITIES INCURRED BY SUCH PARTY BY OR BY REASON OF ANY ACT DONE, CONCEIVED IN OR OMITTED IN THE PROPER CONDUCT OF THE PARTNERSHIP'S BUSINESS OR IN THE PROPER DISCHARGE OF THEIR DUTIES IN DEFENDING ANY PROCEEDINGS, WHETHER CIVIL OR CRIMINAL, IN WHICH JUDGEMENT IS GIVEN IN THEIR FAVOUR, OR IN WHICH SUCH PARTY IS ACQUITTED, OR IN CONNECTION WITH ANY APPLICATION UNDER THE PARTNERSHIP ACTS IN WHICH RELIEF FROM LIABILITY IS GRANTED TO SUCH PARTY BY THE COURT OTHER THAN IN THE EVENT OF FRAUD, GROSS NEGLIGENCE, WILFUL MISCONDUCT OR DISHONESTY OF SUCH INDEMNIFIED PERSON.
- 15.3 To the extent that any Indemnified Person is entitled to claim an indemnity pursuant to this Agreement in respect of amounts paid or discharged by them, the relevant indemnity shall take effect as an obligation of the Partnership to reimburse the person making such payment or effecting such discharge.

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## AOG L.P. PARTNERSHIP AGREEMENT CONT

- 15.4 Each Limited Partner agrees to waive any claim or right of action it may at any time have, whether individually or by or in the right of the Partnership, against any Indemnified Person on account of any action taken by such Indemnified Person or the failure of such Indemnified Person to take any action in the proper performance of their duties with or for the Partnership PROVIDED HOWEVER that such waiver shall not apply to any claims or rights of action arising out of the fraud, gross negligence, wilful misconduct or dishonesty of such Indemnified Person or to recover any gain, personal profit or advantage to which such Indemnified Person is not legally entitled.
- 15.5 Expenses incurred in defending any civil or criminal action or proceeding for which indemnification is required pursuant to this Agreement shall be paid by the Partnership in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the Indemnified Person to repay such amount if any allegation of fraud, gross negligence, wilful misconduct or dishonesty is proved against the Indemnified Person.
- 15.6 No Indemnified Person shall be liable for the acts, defaults or omissions of any other Indemnified Person.
16. **ANTI-BRIBERY AND CORRUPTION LAWS**
- 16.1 Each Partner severally represents and warrants in respect of itself that it:
- (a) has not and, to its knowledge, none of its agents, consultants, distributors, joint venture partners or other persons acting on its behalf, has taken, directly or indirectly, any action or refrained from taking any action that would cause it or any of its Related Entities to be in violation of any Anti-Bribery and Corruption Laws;
  - (b) and each of its Related Entities have established and continue to maintain reasonable internal policies, procedures, and controls reasonably designed to ensure compliance with Anti-Bribery and Corruption Laws, including reasonable policies, procedures, and controls reasonably designed to ensure that it and its Related Entities' agents or other third parties do not make payments in violation of Anti-Bribery and Corruption Laws;
  - (c) and its Related Entities:
    - (i) maintain their books and records in a manner that, in reasonable detail, accurately and fairly reflect the transactions and disposition of their assets; and
    - (ii) maintain a system of internal accounting controls sufficient to provide reasonable assurances that:
      - (A) transactions are executed and access to assets is given only in accordance with management's authorisation;

- (B) transactions are recorded as necessary to permit preparation of periodic financial statements and to maintain accountability of corporate assets; and
  - (C) recorded assets are compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences between recorded and actual assets;
  - (d) it has not and, to its knowledge, none of its agents, consultants, distributors, joint venture partners or other persons acting on its behalf, has taken any act in furtherance of an offer, payment, promise to pay, authorisation, or ratification of the payment, directly or indirectly, of any gift, money or anything of value to a person, including a Public Official, with the intention of improperly influencing such person in order to obtain or retain business, or to secure any improper advantage (for example a tax rate lower than allowed by law); and
  - (e) none of its officers, directors, partners, principals, employees, shareholders or agent employees is a Public Official.
- 16.2 The representations and warranties given under clause 16.1 are given as at the date of the Partner being admitted to the Partnership, and is repeated daily for the term of this Agreement or until they withdraw from the Partnership.

17. **AMENDMENTS**

Subject to clause 2, the General Partner may make any amendment, supplement, discharge, alteration or modification (an **Alteration**) of or to this Agreement to reflect transfers of interests by Partners or Additional Limited Partners, the admission of substitute or new Additional Limited Partners, the substitution of a General Partner, or the modification of the interests of the Partners or Additional Limited Partners, provided the Alteration does not adversely affect the rights of the Partners or the Additional Limited Partners (if so, it may only be altered by an instrument in writing signed by the General Partner, each Partner and Additional Limited Partner). Any other provision of this Agreement may be amended, supplemented, altered, or discharged, and any provision hereof modified or waived, only by an instrument in writing signed by the General Partner and each Partner and Additional Limited Partner. No waiver of any provision hereof by any party hereto shall be deemed a waiver by any other party nor shall any such waiver by any party be deemed a continuing waiver of any matter by such party.

18. **POWER OF ATTORNEY**

Each Limited Partner hereby irrevocably constitutes and appoints the General Partner or its designees its true and lawful attorney, in its name, place and stead to:

- (a) make, execute, acknowledge and file with the appropriate authority:

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## AOG L.P. PARTNERSHIP AGREEMENT CONT

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- (i) any certificates and other instruments which may be required from time to time to be filed by the Partnership under the laws of Bermuda or any other governmental authority having jurisdiction or which the General Partner shall deem advisable, in its sole discretion having received legal advice, to file;
  - (ii) any certificates or other instruments amending or modifying certificates or instruments of the Partnership to evidence any changes therein provided for herein;
  - (iii) subject to clause 13, any certificates or other instruments which may be required to effectuate the dissolution and termination of the Partnership; and
  - (iv) any amendments to this Limited Partnership Agreement which the General Partner is authorised to make in accordance with the provisions of this Limited Partnership Agreement; and
- (b) do anything that is required to be done by the Limited Partner on default by the Limited Partner of its obligations under this Agreement.

It being expressly understood and intended by such Limited Partners that such power of attorney is coupled with an interest. The foregoing power of attorney shall be irrevocable.

19. **COUNTERPARTS**

This Agreement may be executed in counterparts and it shall not be necessary that each counterpart be signed by each party hereto so long as each party shall have executed and delivered a counterpart.

20. **GOVERNING LAW**

This Agreement shall be governed by and construed and enforced in accordance with the laws of Bermuda.

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**SCHEDULE 1**  
**Special Terms**

1. **EXERCISE OF DISCRETIONARY RIGHTS AND POWERS IN RESPECT OF THE COMPANY**
- 1.1 The Partnership and Class B Securityholders are entitled to exercise various discretionary rights and powers in respect of the Company under the Shareholders' Deed, the Constitution and at law, including (but not limited to):
  - (a) clause 4.2(b) of the Shareholders' Deed, which entitles a majority of the Class B Shareholders to appoint, remove and replace Class B Directors to the Board; and
  - (b) clause 7.2 of the Shareholders' Deed, which entitles Shareholders to vote on Shareholder resolutions.

When the Partnership is entitled to appoint, remove and replace Class B Directors to the Board, the General Partner must consult with the Limited Partners and shall seek the written approval of Limited Partners for any proposed course of action with respect to the appointment, removal or replacement of a Class B Director. The General Partner will not take any proposed course of action with respect to the appointment, removal or replacement of a Class B Director without the written approval of Limited Partners that together hold more than 50% of the Limited Partnership Units (a **Limited Partner Majority**). If such written approval is received, the General Partner will act accordingly, subject always to the terms of the Shareholders' Deed, terms of the Constitution and relevant laws. If no such written approval is received, the General Partner shall continue to consult with the Limited Partners and seek their further written approval for another proposed course of action, subject always to the terms of the Shareholders' Deed, terms of the Constitution and relevant laws. If no approval of a Limited Partner Majority is given following the period of further consultation and seeking of further written approval of the Limited Partners then the General Partner shall, in its absolute discretion, determine the proposed course of action with respect to the appointment, removal or replacement of a Class B Director.

When the Partnership is otherwise entitled to exercise discretionary rights and powers, except where what the General Partner is required to do is otherwise specified in this Agreement, the General Partner must consult with the Limited Partners and shall seek written approval for the General Partner's proposed course of action from Limited Partners. If written approval for the proposed course of action is received from a Limited Partner Majority, the General Partner will act accordingly, subject always to the terms of the Shareholders' Deed, terms of the Constitution and relevant laws. If no such written approval is received, the General Partner shall, to the extent practicable, consult with the Limited Partners and seek written approval for another proposed course of action, subject always to the terms of the Shareholders' Deed, terms of the Constitution and relevant laws. If the General Partner, acting reasonably, does not consider it practicable to consult and/or seek written approval for another proposed course

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## AOG L.P. PARTNERSHIP AGREEMENT CONT

of action (including where time does not reasonably permit), the General Partner may determine the proposed course of action in its absolute discretion.

- 1.2 If an Insolvency Event occurs in respect of a Limited Partner, that Limited Partner will not be entitled to provide its written approval in accordance with Special Term 1.1 and their Limited Partnership Units shall be disregarded for the purposes of calculating a Limited Partner Majority.
- 1.3 For the purposes of Special Term 1.1, the General Partner will be taken to have satisfied its obligations to consult and/or seek written approval from a Limited Partner Majority once it has:
  - (a) sent consultation and/or written approval requests to all Limited Partners seeking responses from the Limited Partners within a prescribed time period, such time period to be determined in the sole discretion of the General Partner but not to be less than 28 days from the date of the requests; and
  - (b) given Limited Partners the chance to respond during such prescribed time period.

### 2. **EQUIVALENCE**

Despite any other provision of this Agreement, the General Partner must do anything necessary to ensure that the Partnership complies with the principle set out in clause 2.3(a) of the Shareholders' Deed. Any purported issue, transfer, buy-back, redemption or cancellation of, or other Dealing with, Limited Partnership Units or Limited Partnership B2 Notes in accordance with this Agreement must comply with the principle in clause 2.3(a) of the Shareholders' Deed in order to be valid.

### 3. **EQUALISATION PRINCIPLE**

- 3.1 Despite any other provision of this Agreement, the General Partner must do anything reasonably necessary to ensure that the Partnership complies with the principle set out in clause 2.4(a) of the Shareholders' Deed. Any purported issue, transfer, buy-back, redemption or cancellation of, or other Dealing with, Limited Partnership B1 Units in accordance with this Agreement must comply with the principle in clause 2.4(a) of the Shareholders' Deed in order to be valid.
- 3.2 If an Imbalance occurs in respect of the Partnership, the General Partner must comply with clause 2.4(c) of the Shareholders' Deed. To the extent reasonably practicable, the General Partner must consult with the Limited Partners and shall seek written approval for the General Partner's proposed course of action from Limited Partners.

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4. **ISSUES, TRANSFERS AND CANCELLATIONS OF LIMITED PARTNERSHIP UNITS AND LIMITED PARTNERSHIP B2 NOTES**

New Limited Partnership Units and Limited Partnership B2 Notes may not be issued, and existing Limited Partnership Units and Limited Partnership B2 Notes may not be transferred or cancelled, bought-back, redeemed or similarly dealt with except for the issue of Limited Partnership B1 Units to security holders of the Target pursuant to the Schemes or otherwise as expressly permitted by these Special Terms. For the avoidance of doubt and notwithstanding anything that may otherwise be provided in this Schedule 1, no Limited Partner is entitled to redeem their Limited Partnership Units at their option.

5. **COMPANY INFORMATION RECEIVED BY THE PARTNERSHIP**

5.1 The General Partner shall advise the Limited Partners as to the financial and business affairs of the Limited Partnership by making available all information the Partnership receives in its capacity as a Shareholder of the Company to all Limited Partners, including any Audited Financial Statements received pursuant to clause 9.2 of the Shareholders' Deed. The information will be made available to Limited Partners in a manner determined by the General Partner, acting reasonably.

5.2 The General Partner shall request a copy of the Audited Financial Statements of the Group as soon as reasonably practicable after those are finalised at the conclusion of each Financial Year.

6. **SHAREHOLDER LOANS**

6.1 If the Partnership is offered the opportunity to subscribe for Class B2 Notes or to take an assignment of Class B2 Notes pursuant to clause 11.4(c)(i) or 11.4(c)(ii) of the Shareholders' Deed the General Partner must ensure that Limited Partners are offered an opportunity to subscribe for Limited Partnership B2 Notes on terms consistent with the terms of the Class B2 Notes (amended as necessary by the General Partner for the operation of, and subject to, this Special Term 6), and the General Partner will use the proceeds from the issue of the Limited Partnership B2 Notes to subscribe for or take an assignment of the Class B2 Notes.

6.2 If eligible Limited Partners elect to subscribe for Limited Partnership B2 Notes, the Limited Partnership B2 Notes will be issued on terms substantially consistent with the Agreed Loan Terms, subject to any amendments considered reasonably necessary by the General Partner for the operation of this Special Term 6.

7. **ISSUES OF SHARES TO THE PARTNERSHIP**

7.1 If an Issue Notice is given to the Partnership, then the General Partner must give a copy of the Issue Notice to each Limited Partner within 2 Business Days of receiving it.

7.2 When providing the copy of the Issue Notice, the General Partner will seek written approval from each Limited Partner receiving the copy under Special Term 7.1 to apply for a number of

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## AOG L.P. PARTNERSHIP AGREEMENT CONT

Securities not exceeding the total number of Securities proposed to be issued as set out in the Issue Notice at least 2 Business Days before the Partnership is required to apply for new Securities under clause 12.2(a)(v) of the Shareholders' Deed. If such written approvals are received, the General Partner will act accordingly.

- 7.3 If the Securities to be issued by the Company are Class B2 Shares, an approval given under Special Term 7.2 constitutes an offer by the Limited Partner to apply for new Limited Partnership B2 Units for a price and on terms consistent with the Issue Notice (amended as necessary by the General Partner for the operation of this Special Term 7).
- 7.4 If the Securities to be issued by the Company are not Class B2 Shares, an approval given under Special Term 7.2 constitutes an offer by the Limited Partner to apply for securities to be issued by the Partnership reasonably deemed by the General Partner to be most appropriate having regard to the nature of the Securities to be issued by the Company for a price and on terms consistent with the Issue Notice (amended as necessary for the operation of this Special Term 7).
- 7.5 The General Partner will apply for such number of new Securities that are the subject of offers received from Limited Partners under Special Term 7.2 (not exceeding the total number of Securities proposed to be issued as set out in the Issue Notice) in accordance with clause 12.2(d) of the Shareholders' Deed.
- 7.6 If any Securities are allocated to the Partnership pursuant to clause 12.2(f) of the Shareholders' Deed:
- (a) where the Securities are Class B2 Shares, the General Partner will allocate the same number of Limited Partnership B2 Units between the Limited Partners that made offers to the General Partner under Special Term 7.2 on an equivalent basis to the methodology set out in clause 12.2(f) of the Shareholders' Deed; and
  - (b) where the Securities are not Class B2 Shares, the General Partner will allocate the same number of securities determined in accordance with Special Term 7.5 between the Limited Partners that made offers to the General Partner under Special Term 7.2 on an equivalent basis to the methodology set out in clause 12.2(f) of the Shareholders' Deed,

and shall notify the relevant Limited Partners of their allocation within 2 Business Days after the General Partner receives notice of the Partnership's allocation pursuant to clause 12.2(g) of the Shareholders' Deed.

- 7.7 Any Limited Partner that is allocated Limited Partnership B2 Units or securities must pay the General Partner the cash price per Limited Partnership B2 Unit or security multiplied by the number of Limited Partnership B2 Units or securities to be issued to it at least 3 Business Days

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before the issue of Securities is due to be completed pursuant to clause 12.2(a)(vi) of the Shareholders' Deed.

- 7.8 Simultaneously with the completion of the issue of Class B2 Shares or Securities under clause 12.2(a)(vi) of the Shareholders' Deed, the General Partner will issue an equivalent number of new Limited Partnership B2 Units or securities to the accepting Limited Partners, and will pay the relevant consideration to the Company.

8. **EXIT**

- 8.1 If the Partnership is given an Exit Notice, the General Partner must provide a copy of that Exit Notice to each Limited Partner within 2 Business Days of receiving the Exit Notice.

- 8.2 If Majority Class A Shareholders have committed a Compulsory Transfer Event, one or more Limited Partners whose Proportionate Class B Securities together constitute at least 5% of the Shares may request the General Partner to give an Exit Notice and the General Partner must issue an Exit Notice pursuant to clause 13.1 of the Shareholders' Deed within 2 Business Days of receiving a notice under this Special Term 8.2.

- 8.3 The Limited Partners acknowledge that the Partnership may be required to undertake certain actions in accordance with clause 13 of the Shareholders' Deed after an Exit Notice has been issued. Each Limited Partner hereby irrevocably constitutes and appoints the General Partner or its designees its true and lawful attorney, in its name, place and stead to undertake any such actions on its behalf, it being expressly understood and intended by such Limited Partner that such power of attorney is coupled with an interest. The foregoing power of attorney shall be irrevocable.

9. **TRANSFERS OF LIMITED PARTNERSHIP UNITS OR LIMITED PARTNERSHIP B2 NOTES TO AFFILIATES**

- 9.1 A Limited Partner may Transfer some or all of their Limited Partnership Units or Limited Partnership B2 Notes to an Affiliate at any time.

- 9.2 If a person to whom Limited Partnership Units or Limited Partnership B2 Notes are Transferred under Special Term 9.1 (**Holder**) ceases to be an Affiliate of the transferor (**Transferor**), the Holder must immediately upon ceasing to be an Affiliate:

- (a) Transfer its entire legal and beneficial interest in the relevant Limited Partnership Units or Limited Partnership B2 Notes back to the Transferor; or
- (b) Transfer its entire legal and beneficial interest in the relevant Limited Partnership Units or Limited Partnership B2 Notes to another Affiliate of the Transferor.

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## AOG L.P. PARTNERSHIP AGREEMENT CONT

### 10. RIGHT OF FIRST REFUSAL

10.1 A Limited Partner (**Selling Party**) may request the General Partner to initiate the right of first refusal (**ROFR**) process under clause 15 of the Shareholders' Deed in respect of its Proportionate Class B Securities by giving notice to the General Partner specifying:

- (a) the identity of the Selling Party;
- (b) the number of Limited Partnership Units and Limited Partnership B2 Notes to be dealt with pursuant to the ROFR process (**Sale Interests**), which must be all of a Limited Partner's Limited Partnership Units and Limited Partnership B2 Notes (so that the General Partner may comply with clause 15.2(b)(iii) of the Shareholders' Deed), except where the Limited Partner's Proportionate Class B Securities constitute at least 5% of the Shares, in which case:
  - (i) the Proportionate Class B Securities to be dealt with pursuant to the ROFR process must constitute at least 5% of the Shares; and
  - (ii) if the Limited Partner proposes to deal with all of its Limited Partnership Units pursuant to the ROFR Process, the Sale Interests must also include all of its Limited Partnership B2 Notes;
- (c) the terms on which the Selling Party is prepared to sell its Sale Interests, including the cash price per Sale Interest; and
- (d) an address for service for the Selling Party.

10.2 The General Partner must issue a ROFR Notice pursuant to clause 15.2 of the Shareholders' Deed within 2 Business Days of receiving a notice under Special Term 10.1.

10.3 If the Company buys-back, redeems, repays or cancels a Selling Party's Proportionate Class B Securities pursuant to clause 15.3(a) of the Shareholders' Deed, the General Partner must cancel the Selling Party's Sale Interests simultaneously with that buy-back, redemption, repayment or cancellation and will pay the proceeds received from the Company to the Selling Party as consideration for the cancellation of their Sale Interests.

10.4 If the Company issues a Further ROFR Notice to the Partnership pursuant to clause 15.4(a) of the Shareholders' Deed (regardless of whether the Further ROFR Notice is issued in respect of a Selling Party's Proportionate Class B Securities or another Shareholder's Securities), the General Partner must provide a copy of that Further ROFR Notice to each Limited Partner (other than a Selling Party, if applicable) within 2 Business Days of receiving the Further ROFR Notice.

10.5 When providing the copy of the Further ROFR Notice, the General Partner will seek written approval from each Limited Partner receiving the copy under Special Term 10.4 to accept a

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number of ROFR Securities (not exceeding the total number of Securities set out in the Further ROFR Notice) at least 2 Business Days before the Partnership is required to issue a ROFR Acceptance Notice under clause 15.4(b) of the Shareholders' Deed. If such written approvals are received, the General Partner must provide written notice to the Company in accordance with clause 15.4(b) of the Shareholders' Deed. The written approvals given by Limited Partners may specify any Transfer Approvals required by the Limited Partner in the Acceptance Notice.

- 10.6 An approval given under Special Term 10.5 constitutes an offer by the Limited Partner to apply for Limited Partnership Units or Limited Partnership B2 Notes for a price and on terms consistent with the offer of Securities under the ROFR Notice (amended as necessary for the operation of this Special Term 10).
- 10.7 If the General Partner has initiated the ROFR Process at the request of a Selling Party and the Company receives Acceptance Notices for less than 100% of the ROFR Securities, the Selling Party may approve the General Partner agreeing that the accepted ROFR Securities should be allocated pursuant to clause 15.5(b) of the Shareholders' Deed. If the Selling Party does not give such an approval within 2 Business Days of the General Partner being notified that Acceptance Notices have been received for less than 100% of the ROFR Securities, the General Partner shall notify the Company that none of the ROFR Securities should be allocated pursuant to clause 15.5(b) of the Shareholders' Deed.
- 10.8 If any ROFR Securities are allocated to the Partnership pursuant to clause 15.5(c) of the Shareholders' Deed, the General Partner will allocate the same number of Limited Partnership Units and/or Limited Partnership B2 Notes between the Limited Partners that gave notice to the General Partner on an equivalent basis to the methodology set out in clause 15.5(a) or 15.5(b) of the Shareholders' Deed (as applicable), and shall notify the relevant Limited Partners of their allocation within 2 Business Days after the General Partner receives notice of the Partnership's allocation pursuant to clause 15.5(c) of the Shareholders' Deed.
- 10.9 Any Limited Partner that is allocated Limited Partnership Units or Limited Partnership B2 Notes must pay the General Partner the cash price per Limited Partnership Unit or Limited Partnership B2 Note multiplied by the number of Limited Partnership Units or Limited Partnership B2 Notes at least 3 Business Days before the transfer of ROFR Securities is due to be completed pursuant to clause 15.5(d) of the Shareholders' Deed.
- 10.10 Simultaneously with completion of the transfer of the ROFR Securities under clause 15.5(d) of the Shareholders' Deed, if the ROFR Securities allocated to Limited Partners are:
  - (a) another Limited Partner's Proportionate Class B Securities, the General Partner must effect a transfer of an equivalent number of Limited Partnership Units and/or Limited Partnership B2 Notes from the Selling Party to the accepting Limited Partners, and will pay the relevant consideration to the Selling Party. The parties acknowledge that the Partnership will not transfer the corresponding Class B Securities; or

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## AOG L.P. PARTNERSHIP AGREEMENT CONT

- (b) another Securityholder's Securities, the General Partner must issue an equivalent number of new Limited Partnership Units or Limited Partnership B2 Notes to the accepting Limited Partners, and will pay the relevant consideration to the ROFR Seller.
- 10.11 Simultaneously with completion of the transfer of the ROFR Securities under clause 15.5(d) of the Shareholders' Deed, if any of the ROFR Securities are transferred by the Partnership to another Securityholder, the General Partner must cancel the Selling Party's corresponding Sale Interests, and will pay the proceeds received from the other Shareholders to the Selling Party as consideration for the cancellation of their Sale Interests.
- 10.12 If any of a Selling Party's Sale Interests are not dealt with after the Selling Party and General Partner have complied with this Special Term 10, then the Selling Party may Transfer those Sale Interests to one or more Limited Partners or bona fide Buyers, provided that:
- (a) the Transfer is for a cash price per Sale Interest that is greater than or equal to the price per ROFR Security specified in the ROFR Notice;
  - (b) the Transfer is otherwise on terms that are not materially more favourable to the acquiring Limited Partners or Buyers than those specified in the ROFR Notice; and
  - (c) the Transfer is completed within 90 days after the date specified in clause 15.4(b) of the Shareholders' Deed.

### 11. DRAG RIGHTS

If a valid Drag Notice is given to the Partnership, then the General Partner must:

- (a) give a copy of the Drag Notice to each Limited Partner within 2 Business Days of receiving it;
- (b) comply with the terms of clause 16 of the Shareholders' Deed, including selling the Partnership's Dragged Securities; and
- (c) cancel the Drag Proportion of each Limited Partner's Limited Partnership Units and Limited Partnership B2 Notes simultaneously with completion of the sale of the Partnership's Dragged Securities, and pay the proceeds received from the Buyer to the Limited Partners as consideration for the cancellation of their Limited Partnership Units and Limited Partnership B2 Notes.

### 12. TAG ALONG RIGHTS

- 12.1 If an Invitation to Tag is given to the Partnership, then the General Partner must give a copy of the Invitation to Tag to each Limited Partner within 2 Business Days of receiving it.
- 12.2 Each Limited Partner may request the General Partner to exercise the Tag Option in respect of the Tag Proportion of their Proportionate Class B Securities by giving a written notice to the

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General Partner no less than 2 Business Days before the end of the period in which Partnership is entitled to exercise the Tag Option pursuant to clause 17.2(e) of the Shareholders' Deed.

- 12.3 Simultaneously with completion of the sale of any of the Partnership's Securities in accordance with clause 17 of the Shareholders' Deed, the General Partner must cancel the Tag Proportion of each relevant Limited Partner's Limited Partnership Units and Limited Partnership B2 Notes, and pay the proceeds received from the Buyer to the relevant Limited Partners as consideration for the cancellation of their Limited Partnership Units and Limited Partnership B2 Notes.

13. **COMPULSORY TRANSFER EVENTS – PARTNERSHIP OR LIMITED PARTNER DEFAULT**

- 13.1 A Limited Partner must immediately notify the General Partner if:

- (a) an Insolvency Event has occurred in respect of the Limited Partner;
- (b) a Change of Control has occurred in respect of the Limited Partner;
- (c) the Limited Partner transfers, or attempts to transfer, their Limited Partnership Units or Limited Partnership B2 Notes other than in accordance with this Agreement or otherwise commits a material breach of this Agreement; or
- (d) the Limited Partner contravenes any Anti-Bribery and Corruption Law or any Anti-Money Laundering Law.

- 13.2 If an Aggrieved Shareholder gives the Partnership:

- (a) a Defaulting Securityholder Notice in respect of the Partnership, the General Partner must give a copy of that notice and any Compulsory Transfer Notice to each Limited Partner; or
- (b) a Defaulting AOG L.P. Limited Partner Notice, the General Partner must give a copy of that notice to the Defaulting AOG L.P. Limited Partner and a copy of any Compulsory Transfer Notice to each Limited Partner,

in each case within 2 Business Days of the Partnership receiving the relevant notice.

- 13.3 Within 2 Business Days after the Board determines the fair market value under clause 18.6 of the Shareholders' Deed, the General Partner must notify that fair market value to:

- (a) each Limited Partner, where a Defaulting Securityholder Notice has been given in respect of the Partnership or another Defaulting Securityholder; or
- (b) the Defaulting AOG L.P. Limited Partner, where a Defaulting AOG L.P. Limited Partner Notice has been given.

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## AOG L.P. PARTNERSHIP AGREEMENT CONT

13.4 Where a:

- (a) Defaulting Securityholder Notice has been given in respect of the Partnership or another Defaulting Securityholder, a Limited Partner; or
- (b) Defaulting AOG L.P. Limited Partner Notice has been given, the Defaulting AOG L.P. Limited Partner,

may advise the General Partner to object to the Board's determination of fair market value in accordance with clause 18.6(b) of the Shareholders' Deed by giving notice to the General Partner no less than 2 Business Days before the Partnership is due to object under clause 18.6(b) of the Shareholders' Deed.

13.5 If the General Partner receives an advice notice under Special Term 13.4, it must object to the Board's determination of fair market value in accordance with clause 18.6 of the Shareholders' Deed such that Fair Market Value is determined pursuant to clause 19 of the Shareholders' Deed.

13.6 If a Defaulting AOG L.P. Limited Partner Notice has been given and a Compulsory Transfer Notice is issued to the Partnership as an Aggrieved Shareholder in respect of all Limited Partners other than the Defaulting AOG L.P. Limited Partner:

- (a) the General Partner will seek written approval from each Limited Partner receiving the copy under Special Term 13.2(b) to accept a number of Compulsory Transfer Securities not exceeding the number set out in the Compulsory Transfer Notice at least 2 Business Days before the Partnership is required to accept the offer under clause 18.4(b)(iv) of the Shareholders' Deed. An approval given under this Special Term 13.6 constitutes an offer by the Limited Partner to apply for new Limited Partnership Units and Limited Partnership B2 Notes for a price and on terms consistent with the offer of Securities under the Compulsory Transfer Notice (amended as necessary for the operation of this Special Term 13). The written approvals given to the General Partner under this Special Term 13.6 may specify any Transfer Approvals required by the Limited Partner in the notice accepting the Compulsory Transfer Securities to be given by the Partnership pursuant to clause 18.4(c) of the Shareholders' Deed. The General Partner will only accept the offer under clause 18.4(b)(iv) of the Shareholders' Deed if it has received offers from the Limited Partners accepting, in aggregate, at least the number of Securities offered to the Partnership under the Compulsory Transfer Notice;
- (b) if any Compulsory Transfer Securities are allocated to the Partnership pursuant to clause 18.4(g) of the Shareholders' Deed, the General Partner will allocate the same number of Limited Partnership Units and Limited Partnership B2 Notes between the Limited Partners that gave notice to the General Partner under this Special Term 13.6 on an equivalent basis to the methodology set out in clause 18.4(g) of the

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- Shareholders' Deed, and shall notify the relevant Limited Partners of their allocation within 2 Business Days after the General Partner receives notice of the Partnership's allocation pursuant to clause 18.4(h) of the Shareholders' Deed;
- (c) any Limited Partner that is allocated Limited Partnership Units or Limited Partnership B2 Notes under this Special Term 13.6 must pay the General Partner the cash price per Compulsory Transfer Security multiplied by the number of Limited Partnership Units and Limited Partnership B2 Notes at least 3 Business Days before the transfer of Compulsory Transfer Securities is due to be completed pursuant to clause 18.4(i) of the Shareholders' Deed; and
  - (d) simultaneously with completion of the transfer of the Compulsory Transfer Securities under clause 18.4(i) of the Shareholders' Deed, the General Partner must effect a transfer of an equivalent number of Limited Partnership Units and/or Limited Partnership B2 Notes from the Defaulting AOG L.P. Limited Partner to the accepting Limited Partners, and will pay the relevant consideration to the Defaulting AOG L.P. Limited Partner. The parties acknowledge that the Partnership will not transfer the corresponding Class B Securities.
- 13.7 Simultaneously with completion of the sale of a Defaulting AOG L.P. Limited Partner's Proportionate Class B Securities in accordance with clause 18.4(i) of the Shareholders' Deed, the General Partner must cancel the Defaulting AOG L.P. Limited Partner's Limited Partnership Units and Limited Partnership B2 Notes and pay the proceeds received from the Aggrieved Shareholders to the Limited Partner as consideration for the cancellation of its Limited Partnership Units and Limited Partnership B2 Notes.
- 13.8 Simultaneously with completion of the sale of all of the Partnership's Class B Securities in accordance with clause 18.4(i) of the Shareholders' Deed, the General Partner must pay the proceeds received from the Aggrieved Shareholders to the Limited Partners as consideration.
- 13.9 If the Company buys-back, redeems, repays or cancels a Defaulting AOG L.P. Limited Partner's Proportionate Class B Securities pursuant to clause 18.5 of the Shareholders' Deed, the General Partner must cancel the Defaulting AOG L.P. Limited Partner's Limited Partnership Units and Limited Partnership B2 Notes simultaneously with that buy-back, redemption, repayment or cancellation and will pay the proceeds received from the Company to the Defaulting AOG L.P. Limited Partner as consideration for the cancellation of their Sale Interests.
14. **COMPULSORY TRANSFER EVENTS – CLASS A SECURITYHOLDER DEFAULT**
- 14.1 The General Partner must immediately advise the Limited Partners if it becomes aware of a Compulsory Transfer Event being committed or occurring in respect of a Shareholder other than the Partnership, and seek written approval from Limited Partners to issue a Defaulting Securityholder Notice in accordance with clause 18.1(b)(i) of the Shareholders' Deed in

# ANNEXURE G

## AOG L.P. PARTNERSHIP AGREEMENT CONT

respect of such a Compulsory Transfer Event. If such written approval is received from one or more Limited Partners, the General Partner must promptly issue a Defaulting Securityholder Notice to the Defaulting Securityholder and follow the processes set out in clause 18 of the Shareholders' Deed.

- 14.2 If a Compulsory Transfer Notice is issued to the Partnership (as an Aggrieved Shareholder) pursuant to clause 18.4(b)(i)(A) of the Shareholders' Deed, the General Partner shall advise the Limited Partners of the Compulsory Transfer Notice by providing a copy of that Compulsory Transfer Notice to each Limited Partner within 2 Business Days of receiving it.
- 14.3 When providing the copy of the Compulsory Transfer Notice, the General Partner will seek written approval from each Limited Partner receiving the copy under Special Term 14.2 to accept a number of Compulsory Transfer Securities not exceeding the number set out in the Compulsory Transfer Notice at least 2 Business Days before the Partnership is required to accept the offer under clause 18.4(b)(iv) of the Shareholders' Deed. An approval given under this Special Term 14.3 constitutes an offer by the Limited Partner to apply for new Limited Partnership Units and Limited Partnership B2 Notes for a price and on terms consistent with the offer of Securities under the Compulsory Transfer Notice (amended as necessary for the operation of this Special Term 14). The written approvals given to the General Partner under this Special Term 14.3 may specify any Transfer Approvals required by the Limited Partner in the notice accepting the Compulsory Transfer Securities to be given by the Partnership pursuant to clause 18.4(c) of the Shareholders' Deed. The General Partner will only accept the offer under clause 18.4(b)(iv) of the Shareholders' Deed if it has received offers from the Limited Partners accepting, in aggregate, at least the number of Securities offered to the Partnership under the Compulsory Transfer Notice.
- 14.4 If any Compulsory Transfer Securities are allocated to the Partnership pursuant to clause 18.4(g) of the Shareholders' Deed, the General Partner will allocate the same number of Limited Partnership Units and Limited Partnership B2 Notes between the Limited Partners that gave notice to the General Partner under Special Term 14.3 on an equivalent basis to the methodology set out in clause 18.4(g) of the Shareholders' Deed, and shall notify the relevant Limited Partners of their allocation within 2 Business Days after the General Partner receives notice of the Partnership's allocation pursuant to clause 18.4(h) of the Shareholders' Deed.
- 14.5 Any Limited Partner that is allocated Limited Partnership Units or Limited Partnership B2 Notes must pay the General Partner the cash price per Compulsory Transfer Security multiplied by the number of Limited Partnership Units and Limited Partnership B2 Notes at least 3 Business Days before the transfer of Compulsory Transfer Securities is due to be completed pursuant to clause 18.4(i) of the Shareholders' Deed.
- 14.6 Simultaneously with completion of the transfer of the Compulsory Transfer Securities under clause 18.4(i) of the Shareholders' Deed, the General Partner will issue an equivalent number of new Limited Partnership Units and Limited Partnership B2 Notes to the accepting Limited Partners, and will pay the relevant consideration to the Defaulting Securityholder.

15. **RESTRAINT**

The provisions of clauses 20.1-20.7 of the Shareholders' Deed apply as if set out in full in this Agreement, on the basis that references to:

(a) Class B Securityholder, Securityholder or Obligors (as applicable) are to Limited Partners; and

(b) Class B Securities are to Limited Partnership Units and Limited Partnership B2 Notes,

and on the basis that the undertakings of each Limited Partner were given in favour of each other Partner.

16. **PROVIDING PARTNERSHIP INFORMATION TO THE COMPANY**

16.1 The parties agree that the General Partner may provide information about the Partnership to the Company from time to time for the purposes of exercising its rights or performing its obligations under the Shareholders' Deed, including the identities of the Limited Partners, upon receiving a reasonable written request for that information from the Company.

16.2 The parties agree that the General Partner may not provide any information about the Partnership to any other person except:

(a) if it is required to do so by an applicable law or regulation or the listing rules of a recognised securities exchange; or

(b) in accordance with Special Term 16.1.

17. **NOTICES AND OTHER COMMUNICATIONS**

17.1 Unless expressly stated otherwise in this Agreement, all notices, certificates, consents, approvals, waivers and other communications in connection with this Agreement must be:

(a) in writing;

(b) in English or accompanied by a certified translation into English;

(c) signed by an authorised representative of the sender; and

(d) marked for the attention of the intended recipient.

17.2 Communications sent by email must state the first and last name of the sender. Communications sent by email are taken to be signed by the named sender

17.3 Communications to the General Partner or the Partnership must be:

# ANNEXURE G

## AOG L.P. PARTNERSHIP AGREEMENT CONT

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- (a) left at, or sent by prepaid ordinary post (airmail if appropriate) to, the following address: Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda, or to such other address as subsequently notified to all Limited Partners;
- (b) sent by email to the following email address: ags-bm-all-users@global-ags.com, or to such other address as subsequently notified to all Limited Partners; or
- (c) given in any other way permitted by law.

17.4 Communications to a Limited Partner must be:

- (a) left at, or sent by prepaid ordinary post (airmail if appropriate) to, the address last notified by the Limited Partner to the General Partner;
- (b) sent by email to, the email address last notified by the Limited Partner to the General Partner; or
- (c) given in any other way permitted by law.

17.5 Communications take effect from the time they are received or taken to be received under Special Term 17.6 (whichever happens first) unless a later time is specified.

17.6 Communications are taken to be received:

- (a) if sent by post, three Business Days after posting (or seven Business Days after posting if sent from one country to another);
- (b) if sent by email:
  - (i) when the sender receives an automated message confirming delivery; or
  - (ii) four hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,

whichever happens first.

17.7 Despite Special Terms 17.5 and 17.6, if communications are received or taken to be received under Special Term 17.6 after 5pm in the place of receipt or on a day that is not a business day in the place to which the communication is sent, they are taken to be received at 9am on the next business day in the place to which the communication is sent and take effect from that time unless a later time is specified.

**[Signature Page Follows]**

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**SIGNATORIES**

**IN WITNESS WHEREOF**, the undersigned have executed this Limited Partnership Agreement as of the date first above written.

**SIGNED** for and on behalf of the General Partner in the presence of: )  
)  
)

\_\_\_\_\_  
General Partner  
**AOG GP Limited**  
By:

\_\_\_\_\_  
Witness signature  
Name:  
Address:  
Occupation:

**SIGNED** for and on behalf of the Initial Limited Partner in the presence of: )  
)  
)

\_\_\_\_\_  
Initial Limited Partner  
**Appleby Global Trust Services (Bermuda) Ltd. as Trustees of the AOG Purpose Trust**  
By:

\_\_\_\_\_  
Witness signature  
Name:  
Address:  
Occupation:

# ANNEXURE H

## NOTICE OF SCHEME MEETING AND NOTICE OF TRUST SCHEME MEETING

### Notice of Scheme Meeting

Aveo Group Limited (ABN 28 010 729 950) (AGL)

Notice is hereby given that, by an order of the New South Wales Supreme Court (**Court**) made on 27 September 2019, pursuant to subsection 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**), a meeting of AGL Shareholders will be held at the InterContinental Sydney, 117 Macquarie Street Sydney NSW 2000 Australia on 6 November 2019, commencing at 3.00pm (Sydney time) (**Scheme Meeting**).

### Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification as approved by the Court) proposed to be made between AGL and AGL Shareholders (**AGL Scheme**).

A copy of the AGL Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the AGL Scheme are contained in the Scheme Booklet, of which this notice forms part.

### Resolution

To consider and, if thought fit, pass the following resolution (the **AGL Scheme Resolution**):

That, subject to and conditional on:

- a. the Aveo Securityholders passing the Trust Scheme Resolutions; and
- b. the Court confirming that Aveo Funds RE would be justified in acting upon the Trust Scheme Resolutions and doing all things and taking all necessary steps to put the Trust Scheme into effect,

pursuant to and in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed between Aveo Group 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 modifications as approved by the Court).

### Chairman

The Court has directed that Walter McDonald is to act as chairman of the Scheme Meeting (and that, if Walter McDonald is unable or unwilling to attend, Jim Frayne is to act as chairman of the Scheme Meeting) and has directed the chairman to report the result of the meeting to the Court.

Dated 27 September 2019



Anna Wyke  
Company Secretary



## Notice of Trust Scheme Meeting

Aveo Funds Management Limited (ABN 17 089 800 082) as responsible entity (**Aveo Fund RE**) of Aveo Group Trust (ABN 28 010 729 950).

Notice is hereby given by Aveo Funds RE that a meeting of holders of units in Aveo Group Trust (**Trust Unitholders**) will be held at the InterContinental Sydney, 117 Macquarie Street Sydney NSW 2000 Australia on 6 November 2019, commencing at 3.00pm (Sydney time) (**Trust Scheme Meeting**).

### Purpose of the Trust Scheme Meeting

The purpose of the Trust Scheme Meeting is to consider and, if thought fit, to agree to the following resolutions of Trust Unitholders to approve the amendment of the Aveo Group Trust Constitution and the proposed trust scheme under which Hydra RL BidCo Pty Ltd (**BidCo**) acquires all of the units in the Aveo Group Trust from Trust Unitholders at the Scheme Record Date (**Trust Scheme**).

A copy of the Aveo Group Trust Supplemental Deed and a copy of the explanatory statement provided in respect of the Trust Scheme are contained in the Scheme Booklet, of which this notice forms part.

### Resolutions

#### 1. Amendment of the Aveo Group Trust Constitution

To consider and if thought fit, pass the following resolution as a special resolution in accordance with the provisions of section 601GC(1) of the *Corporations Act 2001* (Cth):

‘That, subject to and conditional on:

- a. the AGL Scheme being approved by the Court under section 411(4)(b) of the Corporations Act (with or without modifications as approved by the Court) and an office copy of the order of the Court approving the AGL Scheme being lodged with ASIC; and
- b. Resolution 2 in this Notice of Trust Scheme Meeting being passed,

the Aveo Group Trust Constitution be amended with effect on and from the Effective Date, as set out in the Scheme Booklet of which the notice convening this Trust Scheme Meeting forms part, for the purpose of giving effect to the Trust Scheme and Aveo Funds RE be authorised to execute and lodge with ASIC a copy of the Aveo Group Trust Supplemental Deed.’

#### 2. Acquisition of Aveo Group Trust Units

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

‘That, subject to and conditional on:

- a. the AGL Scheme being approved by the Court under section 411(4)(b) of the Corporations Act (with or without modifications as approved by the Court) and an office copy of the order of the Court approving the AGL Scheme being lodged with ASIC; and
- b. Resolution 1 in this Notice of Trust Scheme Meeting being passed,

pursuant to and in accordance with the provisions of item 7 of section 611 of the *Corporations Act 2001* (Cth), the Trust Scheme, as set out in the Scheme Booklet of which the notice convening this Trust Scheme Meeting forms part, be approved and, in particular, the acquisition by BidCo of all available Aveo Group Trust Units existing as at the Scheme Record Date pursuant to the Trust Scheme be approved for all purposes.’

### Chairman

Walter McDonald will act as chairman of the Trust Scheme Meeting (and, if Walter McDonald is unable or unwilling to attend, Jim Frayne will act as chairman of the Trust Scheme Meeting).

Dated 27 September 2019



Anna Wyke  
Company Secretary

# ANNEXURE H

## NOTICE OF SCHEME MEETING AND NOTICE OF TRUST SCHEME MEETING CONT

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### Explanatory notes

#### 1. General

These Notices of Scheme Meetings relates to the AGL Scheme and the Trust Scheme and should be read in conjunction with the scheme booklet dated on or about the date of these notices of Scheme Meetings (**Scheme Booklet**) of which the notices form part. The Scheme Booklet contains important information to assist you in determining how to vote on the AGL Scheme Resolution and Trust Scheme Resolution.

A copy of the AGL Scheme is set out in Annexure B of the Scheme Booklet and a copy of the Aveo Group Trust Supplemental Deed is set out in Annexure C of the Scheme Booklet

These explanatory notes form part of, and should be read in conjunction with, the notices of Scheme Meetings. Capitalised terms used in this notice have the same meaning as set out in 'Glossary and interpretation' in Section 15 of the Scheme Booklet, unless the context otherwise requires.

#### 2. Entitlement to vote

The time for determining eligibility to vote at the Scheme Meetings is 7pm (Sydney time) on 4 November 2019. Only those Aveo Securityholders entered on the Aveo Securities Register at that time will be entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney, or in the case of a corporate Aveo Securityholder, by a body corporate representative. The remaining comments in these explanatory notes are addressed to Aveo Securityholders entitled to attend and vote at the Scheme Meetings.

#### 3. How to vote

Voting will be conducted by poll.

If you are an Aveo Securityholder entitled to vote at the Scheme Meetings, 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 the 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 Scheme Meetings and vote on your behalf, using a certificate of appointment of body corporate representative.

#### 4. Attendance

If you or your proxies, attorneys or representatives plan to attend the Scheme Meetings, it is important to arrive at the venue at least 30 minutes before the scheduled time for commencement of the Scheme Meetings, so that your securityholding can be checked against the Aveo Securities Register, any power of attorney or certificate of appointment of body corporate representative verified, and your attendance noted.

#### 5. Jointly held securities

If you hold Aveo Securities 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 Scheme Meetings, only the vote of the holder whose name appears first on the Aveo Securities Register will be counted.

See also the comments in paragraph 6.2 below regarding the appointment of a proxy by persons who jointly hold Aveo Securities.

#### 6. Voting

##### 6.1 Voting in person

To vote in person, you must attend the Scheme Meetings.

Eligible Aveo Securityholders who wish to attend and vote at the Scheme Meetings in person will be admitted and given a voting card at the point of entry to the Scheme Meetings, once they have disclosed their name and address.

## 6.2 Voting by proxy

You may appoint one or two proxies. Your proxy need not be another Aveo Securityholder. Each proxy will have the right to vote on the poll and also to speak at the Scheme Meetings.

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 Aveo Registry by 3pm (Sydney time) on 4 November 2019 (or, if the Scheme Meetings are adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meetings in relation to the resumed part of the Scheme Meetings) in any of the following ways:

a. **online:**

at [www.investorvote.com.au](http://www.investorvote.com.au)

b. **by post in the provided reply paid envelope to the Aveo Registry:**

Computershare Investor Services Pty Limited  
GPO Box 1282  
Melbourne Victoria 3001 Australia

c. **by hand delivery to the Aveo Registry:**

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney, NSW 2000 Australia

d. **by fax to the Aveo Registry:**

to 1800 783 447 (within Australia), or +61 3 9473 2555 (outside Australia)

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 Aveo 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 Aveo Registry before the start of the Scheme Meetings (or, if the Scheme Meetings are adjourned or postponed, before the resumption of the Scheme Meetings in relation to the resumed part of the Scheme Meetings) in any of the three ways above.

If you wish to appoint a second proxy, a second proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. You can obtain a second proxy form from the Aveo Registry. Replacement proxy forms can also be obtained from the Aveo Registry.

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 Aveo Securities 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 AGL Scheme Resolution and Trust Scheme Resolutions, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the Scheme Meetings.

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.

# ANNEXURE H

## NOTICE OF SCHEME MEETING AND NOTICE OF TRUST SCHEME MEETING CONT

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If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the chairman of the Scheme Meetings as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the Scheme Meetings, the chairman of the Scheme Meetings will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The chairman of the Scheme Meetings intends to vote all valid undirected proxies which nominate the chairman in favour of the AGL Scheme Resolution and Trust Scheme Resolutions, in the absence of a Superior Proposal.

Proxies of eligible Aveo Securityholders will be admitted to the Scheme Meetings and given a voting card on providing at the point of entry to the Scheme Meetings 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 Scheme Meetings.

### 6.3 Voting by attorney

You may appoint an attorney to attend and vote at the Scheme Meetings on your behalf. Your attorney need not be another Aveo Securityholder. Each attorney will have the right to vote on the poll and also to speak at the Scheme Meetings.

The power of attorney appointing your attorney to attend and vote at the Scheme Meetings must be duly executed by you and specify your name, the entities (that is, Aveo Group Limited and Aveo Group Trust), and the attorney, and also specify the Scheme 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 Scheme Meetings or with the Aveo Registry before 3pm (Sydney time) on 4 November 2019 (or, if the Scheme Meetings are adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meetings in relation to the resumed part of the Scheme Meetings) in any of the following ways:

a. **by post in the provided reply paid envelope to the Aveo Registry:**

Computershare Investor Services Pty Limited  
GPO Box 1282  
Melbourne Victoria 3001 Australia

b. **by hand delivery to the Aveo Registry:**

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney, NSW 2000 Australia

c. **by fax to the Aveo Registry:**

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

Attorneys of eligible Aveo Securityholders will be admitted to the Scheme Meetings and given a voting card on providing at the point of entry to the Scheme Meetings, 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 Scheme Meetings.

#### 6.4 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 Aveo 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 Aveo Registry by calling 1300 540 303 (within Australia) or +61 2 8022 7955 (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 Scheme Meetings or with the Aveo Registry before 3pm (Sydney time) on 4 November 2019) (or, if the Scheme Meetings is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meetings in relation to the resumed part of the Scheme Meetings) in any of the following ways:

a. **by post in the provided reply paid envelope to the Aveo Registry:**

Computershare Investor Services Pty Limited  
GPO Box 1282  
Melbourne Victoria 3001 Australia

b. **by hand delivery to the Aveo Registry:**

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney, NSW 2000 Australia

c. **by fax to the Aveo Registry:**

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

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 Aveo Registry.

Body corporate representatives of eligible Aveo Securityholders will be admitted to the Scheme Meetings and given a voting card on providing at the point of entry to the Scheme Meetings, written evidence of their appointment, their name and address and the name of their appointors.

# ANNEXURE I TOPCO INVESTIGATING ACCOUNTANT'S REPORT

**Deloitte.**

Deloitte Corporate Finance Pty Limited  
ACN 003 833 127  
AFSL 241457

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

Phone: +61 3 9671 7000  
www.deloitte.com.au

27 September 2019

The Directors  
Hydra RL Topco Pty Ltd  
Level 22, 135 King Street  
Sydney, NSW 2000

Dear Directors

## **INVESTIGATING ACCOUNTANT'S REPORT**

### **Introduction**

This report has been prepared at the request of the Directors of Hydra RL Topco Pty Ltd (TopCo) and Hydra RL Bidco Pty Ltd (Bidco), a wholly owned subsidiary of Topco, for inclusion in a scheme booklet (Booklet) to be issued by Aveo Group Limited and Aveo Funds Management Limited as responsible entity of the Aveo Group Trust (Aveo Group) in respect of the proposed acquisition of the securities of Aveo Group via a company scheme of arrangement and trust scheme (Schemes).

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence (AFSL) under the *Corporations Act 2001* for the issue of this report.

References to the Schemes, TopCo, BidCo and AOG L.P. (AOG) and other terminology used in this report have the same meaning as defined in the Glossary of the Booklet.

### **Scope**

#### **Historical Financial Information**

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the TopCo and BidCo to review:

- the Consolidated Statement of Financial Performance for the financial year ended 30 June 2019;
- the Consolidated Statement of Financial Position as at 30 June 2019;
- the Consolidated Statement of Cash Flows for the financial year ended 30 June 2019;

as set out in Section 10.3 of the Booklet (together the Historical Financial Information).

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## Deloitte.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial report of the Aveo Group for the year ended 30 June 2019, which was audited by Ernst and Young in accordance with the Australian Auditing Standards. Ernst and Young issued an unmodified audit opinion on the financial report. The Historical Financial Information is presented in the Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

### Scheme Pro Forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of TopCo and Bidco to review:

- the Scheme Pro Forma Historical Statement of Profit or Loss for the financial year ended 30 June 2019;
- the Scheme Pro Forma Historical Statement of Financial Position as at 30 June 2019;
- the Scheme Pro Forma Historical Statement of Cash Flows for the financial year ended 30 June 2019; and
- AOG L.P.'s Pro Forma Historical Statement of Financial Position as at 30 June 2019

as set out in Section 10.3 of the Booklet (together the Scheme Pro forma Historical Financial Information).

The Scheme Pro Forma Historical Financial Information has been derived from the historical consolidated statements of profit or loss and cash flows for the financial year ended 30 June 2019 and the historical consolidated statement of financial position as at 30 June 2019 of Aveo Group, after adjusting for the effects of pro forma adjustments described in Section 10.3 of the Booklet.

The Historical Financial Information has been extracted from the annual financial report of Aveo Group for the financial year ended 30 June 2019, which was audited by Ernst & Young in accordance with the Australian Auditing Standards.

Ernst & Young issued an unmodified audit opinion on the annual financial report of Aveo Group relating to the financial year ended 30 June 2019.

The Scheme Pro forma Historical Financial Information is presented in the Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Pro Forma Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 10.3 of the Booklet, as if those event(s) or transaction(s) had occurred as at 1 July 2018 in relation to the Scheme Pro Forma Statements of Profit or Loss and Cash Flows, and as if those event(s) or transaction(s) had occurred as at 30 June 2019 in relation to the Pro Forma Statement of Financial Position. Due to its nature, the Scheme Pro Forma Historical Financial Information does not represent the actual or prospective financial position, financial performance, and/or cash flows.

### Directors' Responsibility

The Directors of Topco and BidCo are responsible for:

- the preparation and presentation of the Scheme Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Scheme Pro Forma Historical Financial Information. This responsibility includes the responsibility for such internal controls as the Directors determine are necessary to enable the

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## TOPCO INVESTIGATING ACCOUNTANT'S REPORT

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preparation of the Scheme Pro Forma Historical Financial Information that is free from material misstatement, whether due to fraud or error; and

- the information contained within Section 10.3 of the Booklet.

### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and the Scheme Pro Forma Historical Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for the pro forma adjustments made to the Historical Financial Information, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source for the Scheme Pro Forma Historical Financial Information.

The procedures we performed were based on our professional judgement and considered reasonable in the circumstances:

#### *Historical Financial Information*

- a review of the extraction of the Historical Financial Information from the audited financial statements of the Aveo Group for the year ended 30 June 2019
- a review of the Consolidated Statement of Financial Position of the Aveo Group as at 30 June 2019, Consolidated Statements of Financial Performance and Consolidated Statements of Cash Flows of the Aveo Group for the financial year ended 30 June 2019
- a consistency check of the application of the stated basis of preparation, as described in the Booklet, to the Historical Financial Information
- a review of the Aveo Group auditor work papers
- a review of the accounting policies adopted and used by the Aveo Group over the period for consistency of application

#### *Scheme Pro Forma Historical Financial Information*

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Historical Financial Information of the Aveo Group from its audited financial statements for the financial year ended 30 June 2019
- consideration of the appropriateness of the Pro Forma Adjustments described in Section 10.3 of the Booklet
- enquiry of Directors, management, personnel and advisers of TopCo and BidCo
- the performance of analytical procedures applied to the Scheme Pro Forma Historical Financial Information
- a review of work papers, accounting records and other documents
- a consistency check of the application of the stated basis of preparation, as described in the Booklet, to the Scheme Pro Forma Historical Financial Information.

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### Conclusion

#### *Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in Section 10.3 of the Booklet, and comprising:

- the Consolidated Statement of Financial Performance of the Aveo Group for the financial year ended 30 June 2019
- the Consolidated Statement of Financial Position as at 30 June 2019
- the Consolidated Statement of Cash Flows for the financial year ended 30 June 2019

is not prepared, in all material respects, in accordance with the stated basis of preparation, as described in Section 10.3 of the Booklet.

#### *Scheme Pro Forma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Scheme Pro Forma Historical Financial Information, as described in Section 10.3 of the Booklet and comprising:

- the Scheme Pro Forma Historical Statement of Financial Performance for the financial year ended 30 June 2019
- the Scheme Pro Forma Historical Statement of Cash Flows for the financial year ended 30 June 2019
- the Scheme Pro Forma Historical Statement of Financial Position as at 30 June 2019
- AOG L.P.'s Pro Forma Historical Statement of Financial Position

is not prepared, in all material respects, in accordance with the stated basis of preparation as set out in Section 10.3 of the Booklet.

### Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Booklet in the form and context in which it is included.

### Subsequent Events

Subsequent to 30 June 2019 and up to the date of this report, nothing has come to our attention that would cause us to believe material transactions or events outside the ordinary course of business of Aveo Group, TopCo, BidCo and AOG have occurred, other than the matters dealt with in this report or the Booklet, which would require comment on, or adjustment to, the Scheme Pro Forma Historical Financial Information, or which would cause such information to be misleading.

### Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of the Schemes other than professional fees receivable for the preparation of this report.

Deloitte Touche Tohmatsu is the auditor of TopCo.

Yours sincerely

Andrew J Coleman  
Authorised Representative of Deloitte Corporate Finance Pty Limited (AFSL 241457)  
AR Number 1265229

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## TOPCO INVESTIGATING ACCOUNTANT'S REPORT

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#### Financial Services Guide (FSG)

##### What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

##### Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (AR) and DCF authorises the AR to distribute this FSG.

##### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

##### General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

##### Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

##### How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

##### Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

##### What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220  
[complaints@deloitte.com.au](mailto:complaints@deloitte.com.au)  
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services dispute resolution free to consumers.

[www.afca.org.au](http://www.afca.org.au)  
1800 931 678 (free call)  
Australian Financial Complaints Authority Limited  
GPO Box 3 Melbourne VIC 3001

##### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000  
Member of Deloitte Touche Tohmatsu Limited  
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity.

# CORPORATE DIRECTORY

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## **Aveo**

Aveo Group Limited  
ABN 28 010 729 950

Aveo Funds Management Limited  
ABN 17 089 800 082  
AFSL 222273

Level 5, 99 Macquarie Street  
Sydney NSW 2000

## **Financial adviser**

Merrill Lynch Markets (Australia) Pty Limited  
Level 34, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia

## **Legal adviser**

Herbert Smith Freehills  
Level 34, ANZ Tower  
161 Castlereagh Street  
Sydney NSW 2000  
Australia

## **Aveo Securities Registry**

Computershare Investor Services Pty Limited  
ABN 48 078 279 277  
GPO Box 1282  
Melbourne Victoria 3001  
Australia

## **Stock Exchange Listing**

Aveo Securities are quoted by the Australian Securities Exchange (ASX: AOG)

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