

ASX ANNOUNCEMENT

28 October 2021

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Corporate Announcement Office
Australian Securities Exchange

COURT APPROVES DISTRIBUTION OF SCHEME BOOKLET AND CONVENING OF SCHEME MEETINGS AND SCHEME BOOKLET REGISTERED WITH ASIC

ALE Property Group (**ASX:LEP**) ('**ALE**') is pleased to provide the following update in relation to the proposed acquisition of ALE by a consortium managed by Charter Hall Group (**ASX:CHC**) comprising Charter Hall Long WALE REIT (**ASX:CLW**) and Hostplus, by way of a trust scheme and a company scheme of arrangement ('**Schemes**').

The Supreme Court of New South Wales ('**Court**') has today made orders:

- that ALE convene a meeting of ALE securityholders to consider and vote on each of the proposed Schemes ('**Scheme Meetings**'); and
- approving the despatch of an explanatory statement providing information about the Schemes and Notice of Scheme Meetings ('**Scheme Booklet**').

The Scheme Booklet has also today been registered with the Australian Securities and Investments Commission.

Scheme Booklet/Independent Expert's Report

A copy of the Scheme Booklet, which includes the Independent Expert's Report and Notice of Scheme Meetings, is attached to this announcement.

The Scheme Booklet provides ALE securityholders with information about the Schemes. ALE securityholders are advised to read the Scheme Booklet in its entirety before making a decision on whether or not to vote in favour of the resolutions to be considered at the Scheme Meetings.

The Scheme Booklet includes a copy of the Independent Expert's Report prepared by Kroll ('**Independent Expert**'). The Independent Expert has concluded that the Schemes are fair and reasonable and are therefore in the best interests of ALE securityholders, in the absence of a superior proposal. The Independent Expert has assessed the full diluted value of ALE securities at between \$5.40 to \$5.71 per ALE security on a 100% controlling interest basis. The implied value range of the Scheme Consideration¹ of \$5.67 to \$5.79 per ALE security is at the upper end of, or above, this range. The Independent Expert's conclusions should be read in context with the full Independent Expert's Report and the Scheme Booklet.

Directors' recommendation

The ALE Directors unanimously recommend that ALE securityholders vote in favour of the Schemes at the Scheme Meetings in the absence of a superior proposal, and subject

¹ This implied value is in respect of the Mixed Consideration – see the Scheme Booklet for further information.

to the Independent Expert continuing to conclude that the Schemes are in the best interests of ALE securityholders. Each ALE Director intends to vote all of the ALE securities held or controlled by them in favour of the Schemes, subject to the same qualification.

Accessing the Scheme Booklet

The Scheme Booklet will be available for viewing and downloading on the ALE website.

ALE securityholders who have previously elected to receive communications electronically will receive an email to their nominated email address during the course of this week that will contain instructions about how to view or download a copy of the Scheme Booklet. ALE securityholders who have not made such an election will receive a letter (sent by post to their registered address) containing details of where they can view and download the Scheme Booklet. This letter will be sent to applicable ALE securityholders during the course of this week.

ALE securityholders who wish to receive a printed copy of the Scheme Booklet may request one by calling the ALE Securityholder Information Line on 1300 381 572 (within Australia) or +61 9066 4059 (outside Australia), Monday to Friday (excluding public holidays) between 9.00am and 5.00pm (Sydney time).

Scheme Meetings

The Scheme Meetings will be conducted as virtual meetings commencing at 11.00am (Sydney time) or following the conclusion of the 2021 Annual General Meeting (whichever occurs later), on Thursday, 2 December 2021. There will be no physical Scheme Meetings. ALE securityholders (or their proxies, attorneys or corporate representatives) will be able to attend, vote and ask questions at the Scheme Meetings through an online platform available at <https://meetings.linkgroup.com/LEPSM>.

All ALE securityholders are encouraged to vote either by attending and voting at the virtual Scheme Meetings, or by lodging a direct vote or a proxy vote ahead of the virtual Scheme Meetings. The Notice of Scheme Meetings provides information on how to lodge your Voting/Proxy form (if applicable).

Further information

ALE securityholders can obtain further information in relation to the Scheme Booklet, the Schemes or the Scheme Meetings by visiting the ALE website or calling the ALE Securityholder Information Line on 1300 381 572 (within Australia) or +61 9066 4059 (outside Australia), Monday to Friday (excluding public holidays) between 9.00am and 5.00pm (Sydney time).

This ASX release was approved and authorised for release by the Board of Directors

Contact:

Guy Farrands
Managing Director
ALE Property Group

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SCHEME BOOKLET

In relation to the proposed acquisition of ALE Property Group by a consortium comprised of Charter Hall Long WALE REIT and Hostplus by way of a company scheme of arrangement and trust scheme.



**YOUR DIRECTORS UNANIMOUSLY
RECOMMEND THAT YOU**

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
ALE SECURITYHOLDERS.**

**THE INDEPENDENT EXPERT HAS
CONCLUDED THAT THE SCHEMES
ARE IN THE BEST INTERESTS OF ALE
SECURITYHOLDERS, IN THE ABSENCE
OF A SUPERIOR PROPOSAL.**

The Scheme Meetings are scheduled to be held online at 11.00am (Sydney time) or following the conclusion of the 2021 AGM (whichever occurs later), on Thursday, 2 December 2021.

This Scheme Booklet is important and requires your prompt attention. You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Schemes. If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional adviser.

If you have any questions in relation to this Scheme Booklet or the Schemes, please contact the ALE Securityholder Information Line on 1300 381 572 (within Australia) or +61 2 9066 4059 (outside Australia), Monday to Friday between 9.00am and 5.00pm (Sydney time).

Financial Advisers



Legal Adviser

Allens < Linklaters

Important notices

Nature of this Scheme Booklet

This Scheme Booklet provides ALE Securityholders with information about the proposed acquisition of ALE Property Group by way of an acquisition of:

- all ALE Scheme Units by Consortium Acquirer, an entity jointly owned by CLW and Hostplus, under the Trust Scheme; and
- all ALE Scheme Shares by Consortium Acquirer Nominee, an entity controlled by the Charter Hall Group, under the Company Scheme.

You should review all of the information in this Scheme Booklet carefully. Section 1.3 sets out the reasons why you should vote in favour of the Schemes and Section 1.4 sets out the reasons why you may wish to vote against the Schemes.

This Scheme Booklet is prepared for persons shown in the ALE Register as holding ALE Securities. If you have recently sold all of your ALE Securities, please disregard this Scheme Booklet.

Defined terms

A number of defined terms are used in this Scheme Booklet. These terms are explained in Section 14.1.

No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position or particular needs. It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Schemes. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

Not an offer

This Scheme Booklet does not constitute or contain an offer to ALE Securityholders, or a solicitation of an offer from ALE Securityholders, in any jurisdiction.

This Scheme Booklet is not a disclosure document or a product disclosure statement under Chapter 6D or Part 7.9 of the Corporations Act in respect of the CLW Securities to be issued as part of the Scheme Consideration. The ASIC relief described in Section 13.8 provides an exemption in respect of the requirement for CLW to prepare a product disclosure statement in respect of the CLW Securities to be issued as part of the Scheme Consideration.

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 Australian law 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 outside of Australia.

ALE Scheme Securityholders that are Ineligible Foreign Securityholders will not be able to receive new CLW Securities as part of their Scheme Consideration and will instead receive cash under the Sale Facility in respect of those CLW Securities that would otherwise have been issued to them.

For details regarding Ineligible Foreign Securityholders, please refer to Section 4.3(f).

Important notices

Regulatory information

This Scheme Booklet includes the explanatory statement for the Company Scheme required by section 412(1) of the Corporations Act and a comparable explanatory statement in respect of the Trust Scheme. A copy of the proposed Company Scheme is included in this Scheme Booklet in Annexure B and a copy of the Supplemental Deed is included in this Scheme Booklet in Annexure E.

A copy of this Scheme Booklet (including the Independent Expert's Report) was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to ALE Securityholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Schemes. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Schemes. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

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

Notice of Scheme Meeting

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

ALE Securityholders' right to appear at the Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Company Scheme and grant the Second Judicial Advice following the vote at the Scheme Meetings.

Any ALE Securityholder may appear at the Second Court Hearing, expected to be held at 3.00 pm (Sydney time) on Tuesday, 7 December 2021 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney.

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

It is possible that, because of restrictions imposed in response to the COVID-19 pandemic, the Second Court Hearing will be conducted by remote access technology, including via a dedicated video conferencing service or telephone conferencing. An ALE Securityholder seeking to attend the Second Court Hearing should review the Court list (available at <https://onlineregistry.lawlink.nsw.gov.au/content/>) for details of the hearing and how such hearing can be attended. The Court list is usually available by 3.30 pm the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on ASX (www.asx.com.au) and will also be notified on ALE's website (www.alegroup.com.au).

IMPORTANT NOTICE ASSOCIATED WITH THE COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT

The fact that under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has directed that an explanatory statement accompany the Notice of Scheme Meetings, or the fact that the Court has given the First Judicial Advice that ALE 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 ALE Securityholders should vote (ALE Securityholders must reach their own decision on this matter); or
- has prepared, or is responsible for, the content of this Scheme Booklet.

The order of the Court that the Scheme Meetings be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Schemes.

Disclaimer as to forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views which, are held only as at the date of this Scheme Booklet, and 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 ALE Group, Consortium Acquirer, Consortium Acquirer Nominee, CLW Group, Hostplus or the Hostplus Superannuation Fund’s objectives, plans, goals or expectations may be forward-looking statements.

Any statements contained in this Scheme Booklet about the impact that the Schemes may have on the results of ALE Group’s operations, the advantages and disadvantages anticipated to result from the Schemes, and the profile of the Merged Group following implementation of the Schemes, are also forward-looking statements.

All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by those forward-looking statements.

The operations and financial performance of ALE Group are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of ALE Group, Consortium Acquirer, Consortium Acquirer Nominee, CLW Group, Hostplus and/or the Hostplus Superannuation Fund. ALE’s Securityholders should note that the historical financial performance of ALE Group provides no assurance of the future financial performance of ALE Group (whether the Schemes are implemented or not). Similarly, ALE Securityholders should note that the historical financial performance of CLW Group provides no assurance of the future financial performance of CLW Group (whether the Schemes are implemented or not). Those risks and uncertainties include factors and risks specific to the industry in which ALE Group operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of ALE Group following implementation of the Schemes, as well as the actual advantages of the Schemes, may differ significantly from those that are anticipated and may never be achieved.

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Although ALE Group believes that the views reflected in any forward-looking statements included in the ALE Provided Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct. Although Consortium Acquirer believes that the views reflected in any forward-looking statements included in the Consortium Acquirer Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of ALE Group (or its officers), Consortium Acquirer Group (or its officers), any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

All subsequent written and oral forward-looking statements attributable to any member of ALE Group or any member of Consortium Acquirer Group or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, ALE Group and Consortium Acquirer Group do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Important notices

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Responsibility statement

ALE Group has been solely responsible for preparing the ALE Provided Information. The ALE Provided Information concerning ALE Group and the intentions, views and opinions of ALE Group and the ALE Directors contained in this Scheme Booklet have been prepared by ALE Group and the ALE Directors and is the responsibility of ALE Group. Neither Consortium Acquirer, Consortium Acquirer Nominee, CLW Group, Hostplus, the Hostplus Superannuation Fund, nor any of their directors and officers assume any responsibility for the accuracy or completeness of any ALE Provided Information or the Independent Expert's Report (or any information contained therein).

Consortium Acquirer has been solely responsible for preparing the Consortium Acquirer Information. The Consortium Acquirer Information concerning Consortium Acquirer and the intentions, views and opinions of any Consortium Acquirer Group member or the directors and officers of any Consortium Acquirer Group member contained in this Scheme Booklet have been prepared by Consortium Acquirer and is the responsibility of Consortium Acquirer. ALE and its directors and officers do not assume any responsibility for the accuracy or completeness of any Consortium Acquirer Information.

CLW has been solely responsible for preparing the CLW Information. The CLW Information concerning CLW's intentions and the intentions, views and opinions of CLW and its directors and officers contained in this Scheme Booklet have been prepared by CLW and is the responsibility of CLW. Neither ALE Group, Consortium Acquirer, Consortium Acquirer Nominee, Hostplus, the Hostplus Superannuation Fund nor any of their directors or officers assume any responsibility for the accuracy or completeness of any CLW Information.

Kroll has prepared the Independent Expert's Report in relation to the Schemes and takes responsibility for that report. The Independent Expert's Report is set out in Annexure A.

Link Market Services has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the ALE Registry. Link Market Services has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

Implied value

As a portion of the aggregate Scheme Consideration comprises new CLW Securities, the implied value of that portion of the Scheme Consideration is not fixed and will vary with the market price of CLW Securities. This also applies to Ineligible Foreign Securityholders, whose Scheme Consideration, in part, comprises CLW Securities, which will be remitted to the Sale Agent to sell on the Ineligible Foreign Securityholders' behalf. Any cash remitted to Ineligible Foreign Securityholders under the Sale Facility will depend on the market price of CLW Securities at the time of sale by the Sale Agent.

Privacy

ALE Group, Consortium Acquirer, CLW Group and their agents and representatives may collect personal information in the process of implementing the Schemes. Such information may include the name, contact details and securityholdings of ALE Securityholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meetings. The primary purpose of the collection of personal information is to assist ALE Group to conduct the Scheme Meetings and to implement the Schemes. Personal information of the type described above may be disclosed to the ALE Registry, print and mail service providers, authorised securities brokers, Consortium Acquirer, Consortium Acquirer Nominee, and ALE Group and their respective advisers and service providers. ALE Securityholders have certain rights to access personal information that has been collected. ALE Securityholders should contact the ALE Registry in the first instance, if they wish to access their personal information. ALE Securityholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

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 otherwise stated, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this Scheme Booklet. 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.

External websites

Content on the websites referenced in this Scheme Booklet do not form part of this Scheme Booklet, unless expressly stated otherwise. Accordingly, ALE Securityholders should not rely on any such content in making their decision as to whether to vote in favour of the Schemes.

Currency and exchange

Unless otherwise stated, all dollar amounts in this Scheme Booklet are in Australian Dollars. All security prices and trading volumes in respect of ALE Securities refer to ALE Securities trading on ASX and all security prices and trading volumes in respect of CLW Securities refer to CLW Securities trading on ASX.

Date of this Scheme Booklet

This Scheme Booklet is dated 28 October 2021.

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Key Dates

Event	Date
Date of this Scheme Booklet	Thursday, 28 October 2021
First Court Date	Thursday, 28 October 2021
Election Date Latest time and date for ALE Securityholders to make an Election for Scheme Consideration	5.00 pm (Sydney time) on Thursday, 25 November 2021
Expected announcement of ALE Securityholder Elections to ASX	Friday, 26 November 2021
Scheme Meeting Voting/Proxy Forms Last date and time for receipt of voting/proxy forms (including proxies lodged online), powers of attorney or certificates of appointment of body corporate representatives for the Scheme Meetings	11.00 am (Sydney time) on Tuesday, 30 November 2021
Scheme Meeting Record Date Time and date for determining eligibility to vote at the Scheme Meetings All ALE Securityholders who are registered as holders of ALE Securities at the Scheme Meeting Record Date will be eligible to vote at the Scheme Meetings	7.00 pm (Sydney time) on Tuesday, 30 November 2021
Scheme Meetings As a result of the potential health risks associated with large gatherings and the ongoing COVID-19 pandemic, the Scheme Meetings will be virtual (online only). There will not be a physical meeting where ALE Securityholders or their proxies, attorneys or corporate representatives can attend in person. Further details relating to the Scheme Meetings are set out in Section 4.5 and in the Notice of Scheme Meeting in Annexure D	11.00 am (Sydney time) or following the conclusion of the 2021 AGM (whichever occurs later), on Thursday, 2 December 2021

If the Schemes are approved by ALE Scheme Securityholders at the Scheme Meetings

Second Court Date For approval of the Schemes	Tuesday, 7 December 2021
Effective Date The date on which the Schemes become Effective and are binding on ALE Securityholders The Court order will be lodged with ASIC and announced on ASX Last day of trading in ALE Securities on ASX – ALE suspended from trading on ASX from close of trading	Wednesday, 8 December 2021

If the Schemes are approved by the Court and become Effective

Record Date All ALE Securityholders who hold ALE Securities on the Record Date will be entitled to receive the Scheme Consideration	7.00 pm (Sydney time) on Monday, 13 December 2021
Implementation Date All ALE Scheme Securityholders will receive the Scheme Consideration to which they are entitled on this date	Friday, 17 December 2021

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. All dates are indicative only and are subject to the Court approval process and the satisfaction or, where capable, waiver of the Conditions Precedent to the implementation of the Schemes. Any changes to the above timetable (which may include an earlier or later date for the Scheme Meetings or Second Court Hearing) will be announced through ASX and notified on ALE's website (www.alegroup.com.au). Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

ALE Securityholders will receive an email or a letter (in accordance with their elected communication preference) that contains instructions about how to view or download a copy of the Scheme Booklet, and to lodge their proxy online. The Scheme Booklet will also be available for viewing and downloading on ALE's website (www.alegroup.com.au).

Important Note

Proposal to acquire all ALE Securities

This is a Proposal under which:

- Consortium Acquirer, an entity jointly owned by CLW and Hostplus proposes to acquire all of the Trust Units; and
- Consortium Acquirer Nominee, an entity controlled by the Charter Hall Group, proposes to acquire all of the Company Shares.

The proposed acquisition is to be implemented by way of a company scheme of arrangement and a trust scheme, subject to ALE Securityholder and Court approval and certain other Conditions Precedent.

The purpose of this Scheme Booklet is to provide ALE Securityholders with relevant information in relation to the Proposal ahead of the Scheme Meetings to consider the Schemes. The Scheme Meetings will be held at 11.00 am (Sydney time) or following the conclusion of the 2021 AGM (whichever occurs later), on Thursday, 2 December 2021.

Summary of the Proposal¹

Under the Schemes, ALE Securityholders are being offered Mixed Consideration of 0.4080 CLW Securities and \$3.673 cash for each ALE Security. In addition, the Schemes also provide ALE Securityholders with the option to elect to receive one of the following 'mix and match' alternatives instead of the Mixed Consideration, in respect of all of their ALE Scheme Securities:

- Maximum Scrip Consideration of 1.1546 CLW Securities for each ALE Security; or
- Maximum Cash Consideration of \$5.681 for each ALE Security.

The Maximum Scrip Consideration and Maximum Cash Consideration alternatives are subject, respectively, to the maximum amounts of CLW Securities and cash consideration available under the Schemes. Accordingly, if either of the two alternatives are oversubscribed, they will be scaled back on a pro rata basis and in accordance with the Scaleback Arrangements set out in Sections 4.3(c) and 4.3(d). For further information regarding the 'mix and match' consideration alternatives and the Scaleback Arrangements, refer to Section 4.3.

ALE will announce the outcome of Elections to ASX, including whether the Scaleback Arrangements apply. The announcement is currently expected to be made on Friday, 26 November 2021.

The Scheme Consideration will be reduced by any distributions announced or paid in respect of ALE Securities, other than the 5.5 cents per ALE Security distribution announced on 20 September 2021 and payable on 15 November 2021.

If the Schemes are implemented, new CLW Securities issued to ALE Scheme Securityholders under the Schemes will rank equally with all other CLW Securities on issue and therefore, provided that the Schemes are implemented prior to the relevant distribution record date, will have full entitlement to any CLW distribution for the three-month period ending 31 December 2021 and subsequent distribution periods.

How to vote

Your vote is important in determining whether the Schemes are implemented. We encourage you to vote on the Scheme Resolutions by completing the voting/proxy form enclosed with this Scheme Booklet, or alternatively by participating in the Scheme Meetings via the online platform at <https://meetings.linkgroup.com/LEPSM>.

The Scheme Meetings will be held at 11.00 am (Sydney time) or following the conclusion of the 2021 AGM (whichever occurs later), on Thursday, 2 December 2021. Having regard to the uncertainty and potential health risks associated with large gatherings during the COVID-19 pandemic, ALE Securityholders will not be able to attend the Scheme Meetings in person. ALE Securityholders who participate in the Scheme Meetings via the online platform will be able to listen to the Scheme Meetings, cast an online vote and ask questions in real time.

The Schemes can only be implemented if approved by ALE Securityholders by the requisite majorities of ALE Securityholders at the Scheme Meetings and by the Court at the Second Court Hearing currently scheduled for Tuesday, 7 December 2021. The Schemes are also subject to certain other Conditions Precedent, as set out in Section 13.5(a).

¹ In this Scheme Booklet:

- references to the Mixed Consideration of \$3.673 cash and 0.4080 CLW Securities for each ALE Security held at the Record Date are rounded to three decimal places and four decimal places respectively; and
- references to Maximum Cash Consideration of \$5.681 per ALE Security and Maximum Scrip Consideration of 1.1546 CLW Securities per ALE Security are rounded to three decimal places and four decimal places respectively.

Accordingly, the actual calculation of values of Scheme Consideration is subject to the effect of rounding.

Further information on how to vote is contained in the Notice of Scheme Meetings set out at Annexure D of this Scheme Booklet and the Virtual Meeting Online Guide (which has been released to ASX and will be available on ALE's website at (www.alegroup.com.au)).

Further information

This Scheme Booklet sets out important information relating to the Schemes, including the reasons for the ALE Directors' recommendation and the Independent Expert's Report. It also sets out reasons why you may wish to vote against the Schemes.

You are encouraged to read this Scheme Booklet carefully and in its entirety. You should also seek independent legal, financial, tax or other professional advice before making an investment decision in relation to your ALE Securities.

If you have any questions regarding the Schemes or this Scheme Booklet you should contact the ALE Securityholder Information Line on 1300 381 572 (within Australia) or +61 2 9066 4059 (outside Australia) on Monday to Friday (excluding public holidays) between 9.00 am and 5.00 pm (Sydney time).

Letter from the Chairman of ALE

28 October 2021

Dear ALE Securityholders,

On 20 September 2021, ALE announced that it had entered into a Scheme Implementation Deed with Consortium Acquirer, an entity jointly owned by CHWALE as responsible entity for the CLW Trusts and Hostplus under which Consortium Acquirer would acquire all ALE Scheme Units and Consortium Acquirer Nominee would acquire all ALE Scheme Shares (the **Proposal**). The Proposal is to be implemented by way of a company scheme of arrangement and a trust scheme, subject to ALE Securityholder and Court approval and certain other conditions.

The ALE Directors unanimously recommend that ALE 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 ALE Securityholders.

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

Overview of the Proposal

Under the Schemes, you are being offered Mixed Consideration of 0.4080 CLW Securities and \$3.673 cash for each ALE Security. In addition, the Schemes also provide you with the option to elect to receive one of the following 'mix and match' alternatives instead of the Mixed Consideration in respect of all of your ALE Scheme Securities:

- Maximum Scrip Consideration of 1.1546 CLW Securities for each ALE Security; or
- Maximum Cash Consideration of \$5.681 for each ALE Security.

The Maximum Scrip Consideration and Maximum Cash Consideration alternatives are subject, respectively, to the maximum amounts of CLW Securities and cash consideration available under the Schemes. If either of the two alternatives are oversubscribed, they will be scaled back on a pro rata basis. Therefore, ALE Securityholders who elect to receive the Maximum Cash Consideration or the Maximum Scrip Consideration (rather than the Mixed Consideration) will not know, at the time of making an Election, the precise combination of cash and CLW Securities they will receive.

For further information regarding the 'mix and match' consideration alternatives and the Scaleback Arrangements refer to Section 4.3.

The Scheme Consideration provides an attractive premium to ALE Securityholders. Based on the closing price of CLW Securities of \$4.97 on 26 October 2021, being the last practicable trading day before the date of this Scheme Booklet, the implied value of the Mixed Consideration is \$5.701 per ALE Security, which represents:

- 21.3% premium to the closing price of ALE Securities of \$4.70 on 17 September 2021, being the last trading day prior to the announcement of the Schemes;
- 19.3% premium to the 1 month VWAP of ALE Securities of \$4.78 on 17 September 2021; and
- 19.0% premium to the 3 month VWAP of ALE Securities of \$4.79 on 17 September 2021.

Background to the ALE Directors' Recommendation

The ALE Directors unanimously recommend that you vote in favour of the Schemes, in the absence of a Superior Proposal. Each ALE Director intends to vote all ALE Securities they own or control in favour of the Schemes, in the absence of a Superior Proposal.²

In recommending the Schemes, the ALE Board has had regard to options available to ALE Group to maximise securityholder value, including continuing its strategy as a standalone entity. While the ALE Directors note the potential for substantial rental reversion in 2028, the ALE Directors consider that the Scheme Consideration represents attractive value for ALE Securityholders and accelerates the realisation of the incremental valuation uplift that would reasonably be expected to occur once the outcome of the uncapped rent review in 2028 is certain.

² If the Schemes become Effective, Mr Guy Farrands (ALE's Managing Director) will become entitled to the payment of six months' remuneration in lieu of notice if he is not offered a comparable role on terms that are at least as favourable as his current terms, and a 'Stretch STI' of up to \$180,000. Subject to ALE Securityholder approval at the 2021 AGM, Mr Farrands will also be issued up to 33,731 ESSS Rights, which will convert into an equivalent number of ALE Securities if the Schemes become Effective (pursuant to the treatment explained in Section 13.2(b)). These benefits are discussed in further detail below in Section 13.2 and 13.4. ALE Securityholders should have regard to these arrangements when considering Mr Farrands' recommendation on the Schemes, which appear throughout this Scheme Booklet. Given the importance of the Schemes and Mr Farrands' role in the management of ALE, Mr Farrands considers that it is appropriate for him to make a recommendation on the Schemes. The ALE Board has determined that Mr Farrands can, and should if he wishes to do so, make a recommendation on the Schemes notwithstanding the nature and quantum of the benefits (being the benefits described in Section 13.4) that Mr Farrands will receive if the Schemes become Effective.

ALE's Board and management, in conjunction with its advisers, have carefully considered the outlook for ALE Group as a standalone entity, having regard to:

- the structure and terms of the existing lease arrangements with Endeavour Group;
- the prospects for future development of ALE Group's portfolio and the potential value that could accrue to ALE Securityholders;
- the 2018 rent determination process and outcomes and the implications for the 2028 uncapped rent review and impact on the future prospects of ALE Group;
- the result of the Victorian litigation and remaining uncertainty in relation to the 2018 rent determination process (see Section 5.11 for further details); and
- various historic initiatives to seek to restructure the leases and rent review process with ALH that were not progressed to a mutually acceptable outcome.

In reaching their recommendation, the ALE Directors have also taken into account the following factors:

- the Schemes, including the 'mix and match' alternatives, represent a material premium for ALE Securities;
- the Independent Expert has concluded that the Schemes are in the best interests of ALE Securityholders in the absence of a Superior Proposal;
- the 'mix and match' alternatives provide flexibility and choice to ALE Securityholders;
- the Schemes provide an opportunity to participate in the Merged Group with continued exposure to ALE properties and potentially benefit from the increased scale, diversification and liquidity of the Merged Group;
- participation in the Merged Group via the CLW Securities component of the Scheme Consideration is accretive to distributable earnings, distributions and NTA per security for ALE Securityholders;
- no Superior Proposal has emerged since the announcement of the Schemes;
- the Schemes are subject to limited conditions; and
- if the Schemes do not proceed, and no Superior Proposal emerges, the price of ALE Securities may fall.

The reasons that you may wish to vote against the Schemes include:

- you may prefer to maintain your investment profile and exposure to ALE Group's portfolio and the benefits and risks of being invested in ALE Group;
- you may not wish to have exposure to CLW Group's portfolio, business, or risk profile. ALE Scheme Securityholders who elect Maximum Cash Consideration will still be exposed to CLW's portfolio and business to the extent that the Scheme Consideration they receive includes CLW Securities pursuant to the Scaleback Arrangements (see Section 4.3 for further details);
- you may be exposed to potential tax consequences depending on your individual tax position;
- you may disagree with the ALE Directors' unanimous recommendation and the conclusion of the Independent Expert, and believe that the Schemes are not in your best interests;
- you may consider that there is the potential for a Superior Proposal to emerge;
- potential variability in the implied offer price for movements in the CLW Security price; and
- you will not know the outcome of your Election at the time you make an Election.

Further information regarding the reasons you may wish to vote for or against the Schemes is set out in Section 1.

Independent Expert

The ALE Directors have appointed Kroll as the Independent Expert. The Independent Expert has concluded that the Schemes are in the best interests of ALE Securityholders, in the absence of a Superior Proposal. The Independent Expert has assessed the fully diluted value of ALE Securities to be in the range of \$5.40 and \$5.71 on a 100% controlling interest basis. The implied Independent Expert has assessed the value of the Scheme Consideration to be in the range of \$5.67 to \$5.79 per ALE Security,³ which is at the upper end of, or above, this the Independent Expert's assessed value range for ALE Securities.

A copy of the Independent Expert's Report is contained in Annexure A and you are encouraged to read it in full.

³ This assessed value range is in respect of the Mixed Consideration – see further detail below.

Letter from the Chairman of ALE

Major securityholder support

Caledonia (Private) Investments Pty Ltd (**Caledonia**) currently holds approximately 33.6% of ALE Securities on issue. Caledonia has confirmed to ALE that it intends to 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 ALE Securityholders.

Further information

I encourage you to read this Scheme Booklet carefully. You should also seek independent legal, financial, tax or other professional advice before making an investment decision in relation to your ALE Securities.

If you have any questions regarding the Schemes or this Scheme Booklet you should contact the ALE Securityholder Information Line on 1300 381 572 (within Australia) or +61 2 9066 4059 (outside Australia) on Monday to Friday (excluding public holidays) between 9.00 am and 5.00 pm (Sydney time).

On behalf of the ALE Board, I would like to take this opportunity to thank you for your ongoing support of ALE Group, and we look forward to your participation at the Scheme Meetings.

Yours sincerely,



Robert Mactier
Independent Chairman

1. Key considerations relevant to your vote

1.1 Introduction

For the reasons set out in this Section 1, the ALE Directors believe that the Schemes are in the best interests of ALE Securityholders and unanimously recommend that ALE Securityholders vote in favour of the Schemes at the Scheme Meetings, in the absence of a Superior Proposal.

As at the date of this Scheme Booklet, the ALE Directors hold in aggregate approximately 0.09% of all ALE Securities on issue. Each ALE Director intends to vote any ALE 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 ALE Securityholders.

Caledonia (Private) Investments Pty Ltd currently holds approximately 33.6% of ALE Securities on issue and has confirmed to ALE that it intends to 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 ALE Securityholders.

1.2 Evaluation of the Proposal

In assessing the Proposal, the ALE Directors have carefully considered the future prospects of ALE Group as a standalone entity, including initiatives that may deliver incremental value for ALE Securityholders over time.

The ALE Directors consider that the Proposal appropriately compensates ALE Securityholders for the potential future benefits that may flow from these initiatives, recognising the potential execution risks and potential time period before any such benefits may be realised.

In particular, the ALE Directors had regard for the following initiatives that may potentially deliver future benefits to ALE Securityholders.

(a) 2028 uncapped rent review process

More than 90% of ALE Group's assets are subject to an uncapped rent review process in 2028 on those leases where options to renew are exercised. It is anticipated that this review process will result in an increase in rental income received by ALE Group.

The ALE Directors' assessment of the potential benefits flowing from the 2028 uncapped rent review has been informed by the 2018 rental determination process, the result of the Victorian litigation in relation to the 2018 rent determination process (see below and Section 5.11 for further details), and analysis undertaken by ALE Group's independent valuers. Based on September 2021 valuations, independent valuers currently estimate that ALE Group's portfolio is approximately 36.5% under-rented (that is, a market rent would be approximately 36.5% higher than current passing rent), albeit some assets are over-rented and the under-renting is not spread evenly across the portfolio.

Whilst the 2028 uncapped rent review is expected to deliver benefits to ALE Securityholders, the outcome is uncertain and is unlikely to be known until some time after November 2028. The ALE Directors consider that the Proposal provides immediate and certain benefits to ALE Securityholders, and that it appropriately compensates ALE Securityholders for the potential future incremental benefits that would reasonably be expected to arise once the outcome of the uncapped rent review in 2028 is certain, especially after having regard to the outcome of the 2018 rental determination process and the result of the Victorian litigation in relation to the 2018 rent determination process.

Following the court's judgment in the Victorian Litigation (as defined in Section 5.11) on 20 October 2021, ALE took the following actions.

- (i) ALE engaged with the independent property valuer who prepared recent valuation assessments for its portfolio (as announced to ASX on 20 September 2021) in relation to the 16 properties which were the subject of the Victorian Litigation.

The property valuer has confirmed that the outcome of the Victorian Litigation does not require any change to the valuation assessments in relation to the 16 properties.

Key considerations relevant to your vote

- (ii) ALE undertook its own analysis as to the potential outcome of any new determinations in Victoria (**New Determinations**) (in accordance with the court's finding that the determinations must be done again).⁴

The 10% cap and collar will continue to apply to any New Determinations (unlike the 2028 rent review, which will be uncapped and uncollared). The 10% cap and collar can be applied as follows:

- The maximum amount of the rent for those 16 properties will be 10% higher than the passing rent before the relevant rent review dates in 2018 (plus adjustments for CPI in accordance with the terms of the leases).

The passing rent of those 16 properties before any rent review as at November 2018 was \$15.7m. This would mean that the maximum rent which could result from any New Determinations for those 16 properties (applying the 10% cap and adjusted for CPI in accordance with the terms of the leases) would be \$17.7m (**Maximum Rent**).

If the adopted yields were applied to the Maximum Rent, that calculation would result in an increase in the carrying value of the 16 properties by approximately \$29.9m, equivalent to an NTA increase of 15c per ALE Security. This would result in a pro-forma NTA of ALE as at September 2021 of \$4.26 per ALE Security.

- The minimum amount of the rent for those 16 properties will be 10% lower than the passing rent before the relevant rent review dates in 2018 (plus adjustments for CPI in accordance with the terms of the leases).

As above, the passing rent of those 16 properties before any rent review as at November 2018 was \$15.7m. This would mean that the minimum rent which could result from any New Determinations for those 16 properties (applying the 10% collar and adjusted for CPI in accordance with the terms of the leases) would be \$14.5m (**Minimum Rent**).

If the adopted yields were applied to the Minimum Rent, that calculation would result in a decrease in the carrying value of the 16 properties by approximately \$40.9m, equivalent to an NTA decrease of 20c per ALE Security. This would result in a pro-forma NTA of ALE as at September 2021 of \$3.91 per ALE Security.

There is no certainty as to the outcome of any New Determinations.

- (iii) ALE provided the Independent Expert with a copy of the Victorian Litigation judgment and with further information in relation to the outcome of the Victorian Litigation as summarised in paragraphs (i) and (ii) above.

The Independent Expert has included analysis as a result of the Victorian Litigation in section 11.8.3 of the Independent Expert's Report.

The Independent Expert has considered the outcome of the Victorian Litigation in concluding that the Schemes are in the best interests of ALE Securityholders, in the absence of a Superior Proposal.

(b) Potential to restructure ALE's existing lease arrangements

The ALE Board and ALE's management have previously explored opportunities to restructure the existing lease arrangement with ALH and Endeavour Group with the objective of improving the lease for all stakeholders. In concept, a lease restructure may involve one or more of the following:

- (i) a resetting of current passing rents to market rents;
- (ii) a payment from ALE to ALH and Endeavour Group to "bring forward" the potential rent increase;
- (iii) a simplification of the current development framework outlined in the lease; and
- (iv) a spreading of lease maturities.

Whilst both ALE Group and ALH have historically expressed interest in some form of lease restructure, the parties have not to date been able to agree an acceptable arrangement and there is no certainty that a mutually acceptable restructure may be able to be negotiated.

⁴ ALE notes that it is also open to the parties to agree the rents for those 16 properties (within the 10% cap and collar) in lieu of New Determinations.

(c) Potential future development of the ALE portfolio

ALE Group's portfolio comprises 91.6 hectares of land⁵, with the potential for parts of the portfolio to be further developed. However, ALE Group's land is encumbered by the existing lease arrangements which, among other things:

- (i) provide ALH a right to occupy the properties over the long term; and
- (ii) set out a development framework for the development of sites.

As a result, ALE Group's ability to extract value from development activities ahead of the lease expiries of most ALE Group assets in 2028 is restricted, and is subject to negotiation and agreement with ALH.

From time to time, ALE Group and ALH have sought to progress initiatives to develop one or more of the properties within ALE Group's portfolio over and above their existing use. However, the parties have been unable to agree the parameters of potential developments. As a result, initiatives to develop surplus land on ALE Group's portfolio have not to date been able to be significantly advanced.

1.3 Reasons to vote for the Schemes

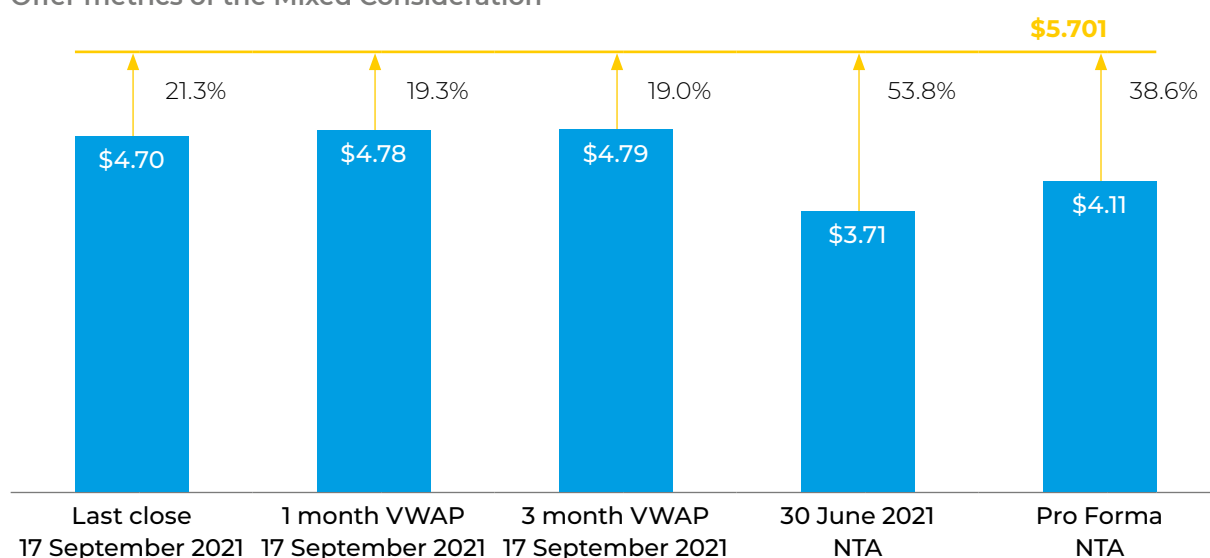
(a) The Scheme Consideration, including the 'mix and match' alternatives, represents a material premium for ALE Securities

The Scheme Consideration provides an attractive premium for ALE Securities and accelerates the realisation of the incremental valuation uplift that would reasonably be expected to occur once the outcome of the uncapped rent review in 2028 is certain.

Based on the closing price of CLW Securities of \$4.97 on 26 October 2021, being the last practicable trading day before the date of this Scheme Booklet, the implied value of the Mixed Consideration is \$5.701 per ALE Security which represents:

- 21.3% premium to the closing price of ALE Securities of \$4.70 on 17 September 2021, being the last trading day prior to the announcement of the Schemes;
- 19.3% premium to the 1 month VWAP of ALE Securities of \$4.78 on 17 September 2021;
- 19.0% premium to the 3 month VWAP of ALE Securities of \$4.79 on 17 September 2021;
- 53.8% premium to the 30 June 2021 NTA of \$3.71 per ALE Security; and
- 38.6% premium to the 30 June 2021 Pro Forma NTA of \$4.11 per ALE Security based on independent valuations as at 30 August 2021.

Offer metrics of the Mixed Consideration



— Implied value of Mixed Consideration¹

¹ Based on the closing price of CLW Securities on 26 October 2021, being the last practicable trading day prior to the date of this Scheme Booklet.

⁵ Inclusive of strata and volumetric title sqm.

Key considerations relevant to your vote

The table below illustrates the premia of the implied value of Maximum Scrip Consideration and Maximum Cash Consideration, based on the closing price of CLW Securities of \$4.97 on 26 October 2021, being the last practicable trading day before the date of this Scheme Booklet.⁶

Offer metrics of Maximum Scrip Consideration and Maximum Cash Consideration

	Implied value	Last close price ⁷	Premium to:			
			1 month VWAP ⁸	3 month VWAP ⁹	30 June 2021 NTA	Pro Forma NTA
Maximum Scrip Consideration	\$5.738	22.1%	20.1%	19.8%	54.8%	39.5%
Maximum Cash Consideration	\$5.681	20.9%	18.9%	18.6%	53.2%	38.1%

(b) The Independent Expert has concluded that the Schemes are in the best interests of ALE Securityholders in the absence of a Superior Proposal

The ALE Directors appointed Kroll to prepare an Independent Expert's Report, including an opinion as to whether the Schemes are in the best interests of ALE Securityholders. The Independent Expert has concluded that the Schemes are in the best interests of ALE Securityholders in the absence of a Superior Proposal.

The Independent Expert has assessed the value of ALE Securities to be in the range of \$5.40 to \$5.71. The Independent Expert has assessed the value of the Mixed Consideration to be in the range of \$5.67 to \$5.79 per ALE Security and the value of the Maximum Scrip Consideration to be in the range of \$5.66 to \$6.00 per ALE Security. These assessed value ranges for the Scheme Consideration, in addition to the Maximum Cash Consideration of \$5.681 per ALE Security, fall at the upper end of, or above, the Independent Expert's assessed valuation range for ALE Securities.

The ALE Directors encourage you to read the Independent Expert's Report, which is set out in Annexure A, before deciding whether or not to vote in favour of the Schemes.

(c) The 'mix and match' alternatives provide flexibility and choice to ALE Securityholders

The Schemes provide for one of two 'mix and match' alternatives to be elected by ALE Securityholders instead of the Mixed Consideration. This provides greater flexibility for ALE Securityholders to elect an outcome that best fulfils their own investment objectives.

ALE Securityholders electing to receive Mixed Consideration will receive \$3.673 cash and 0.4080 new CLW Securities for each of their ALE Securities.

ALE Scheme Securityholders who wish to maximise their participation in the Merged Group may elect to receive Maximum Scrip Consideration of 1.1546 CLW Securities for each of their ALE Securities. Alternatively, ALE Securityholders can elect to receive Maximum Cash Consideration for each of their ALE Securities of \$5.681.

The implied value of Maximum Scrip Consideration and Maximum Cash Consideration may differ from the implied value of the Mixed Consideration as the market value of CLW Securities fluctuates. The table below illustrates the implied value of each of the available consideration alternatives at various reference prices per CLW Security.

⁶ Assuming that neither the Maximum Scrip Consideration nor the Maximum Cash Consideration are subject to the Scaleback Arrangements, as described in Sections 4.3(c) and 4.3(d).

⁷ On 17 September 2021, being the last trading day prior to the announcement of the Schemes.

⁸ On 17 September 2021, being the last trading day prior to the announcement of the Schemes.

⁹ On 17 September 2021, being the last trading day prior to the announcement of the Schemes.

Implied value of Scheme Consideration alternatives

CLW Securities valued at:	Last close price	5 day VWAP	1 month VWAP	3 month VWAP
CLW Security reference price ¹⁰	\$4.970	\$4.963	\$4.918	\$5.065
<i>Implied value of:</i>				
Mixed Consideration	\$5.701	\$5.698	\$5.680	\$5.739
Maximum Scrip Consideration	\$5.738	\$5.730	\$5.679	\$5.848
Maximum Cash Consideration	\$5.681	\$5.681	\$5.681	\$5.681

The Maximum Scrip Consideration and Maximum Cash Consideration alternatives are subject, respectively, to the maximum amounts of CLW Securities and cash consideration available under the Schemes, being approximately 81.8 million CLW Securities and approximately \$736.8 million respectively. Accordingly, if either of the two alternatives are oversubscribed, they will be scaled back on a pro rata basis in accordance with the Scaleback Arrangements. If the Scaleback Arrangements apply to the Maximum Scrip Consideration, relevant ALE Scheme Securityholders will receive cash consideration in place of the scaled back component of the CLW Securities to which they would otherwise have been entitled. If the Scaleback Arrangements apply to the Maximum Cash Consideration, relevant ALE Scheme Securityholders will receive CLW Securities in place of the scaled back component of the cash consideration to which they would otherwise have been entitled. ALE Scheme Securityholders who do not make an Election will receive the Mixed Consideration. The Mixed Consideration will not be subject to Scaleback Arrangements.

For further information regarding the 'mix and match' alternatives and Scaleback Arrangements refer to Section 4.3.

Each Ineligible Foreign Securityholder is deemed to make a valid Election to receive Mixed Consideration. However, new CLW Securities will not be issued to Ineligible Foreign Securityholders. Instead, Consortium Acquirer must procure that those new CLW Securities to which the Ineligible Foreign Securityholder may otherwise have been entitled, are issued to the Sale Agent and sold pursuant to the Sale Facility described in Section 4.3(g).

(d) The Schemes provide an opportunity to participate in the Merged Group with continued exposure to ALE properties and potentially benefit from the increased scale, diversification and liquidity of the Merged Group

ALE Scheme Securityholders who receive CLW Securities as part of the Mixed Consideration or the Maximum Scrip Consideration will maintain exposure to ALE's properties and will participate in the benefits associated with the Merged Group.

¹⁰ As at 26 October 2021, being the last practicable trading day before the date of this Scheme Booklet.

Key considerations relevant to your vote

The Merged Group will have a combined diversified portfolio valued at \$6.5 billion. The table below illustrates the key portfolio metrics for ALE Group, CLW Group and the Merged Group as at 30 June 2021.

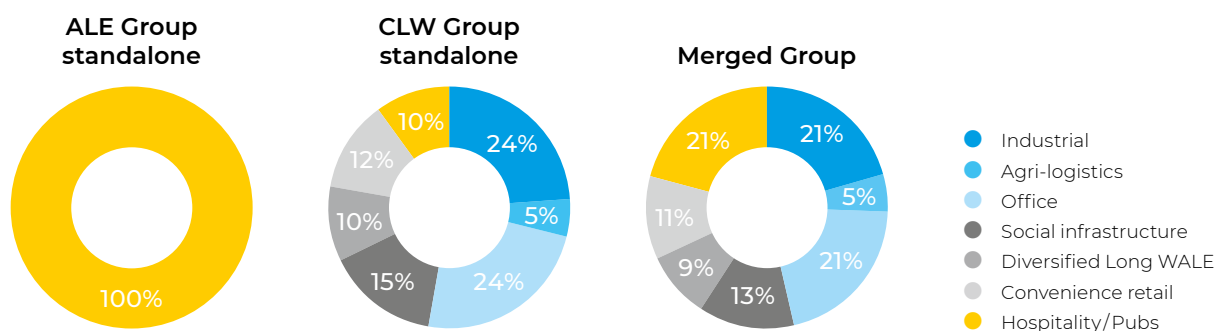
Standalone and Merged Group portfolio overview

	ALE Group ¹¹	CLW Group ¹²	Merged Group
Number of properties	78	472	550
Property value	\$1.2 bn	\$5.7 bn	\$6.5 bn ¹³
Occupancy	100%	98.3%	98.4%
Weighted Average Lease Expiry (WALE)	7.5 years	13.2 years	12.6 years
Weighted Average Rent Reviews (WARR)	2.2%	3.0%	2.9%
Proportion of Triple Net Leases	95%	47%	51%
Portfolio review type weighting: CPI-linked review/Fixed Review	97%/3%	39%/61%	45%/55%

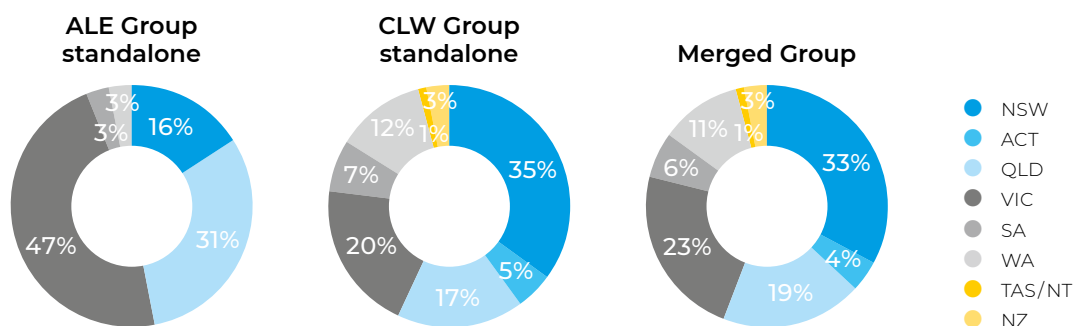
The Merged Group is expected to benefit from a more diversified portfolio relative to the standalone ALE Group portfolio. The combined portfolio will have exposure to 550 properties with approximately 99% of income being derived from Government, ASX-listed, multinational or national tenants, with a reduction in the risk to earnings from any single tenancy.

The portfolio will also be diversified by sector and geography, as illustrated in the charts below.

Sector diversification (as at 30 June 2021)



Geographic diversification (as at 30 June 2021)



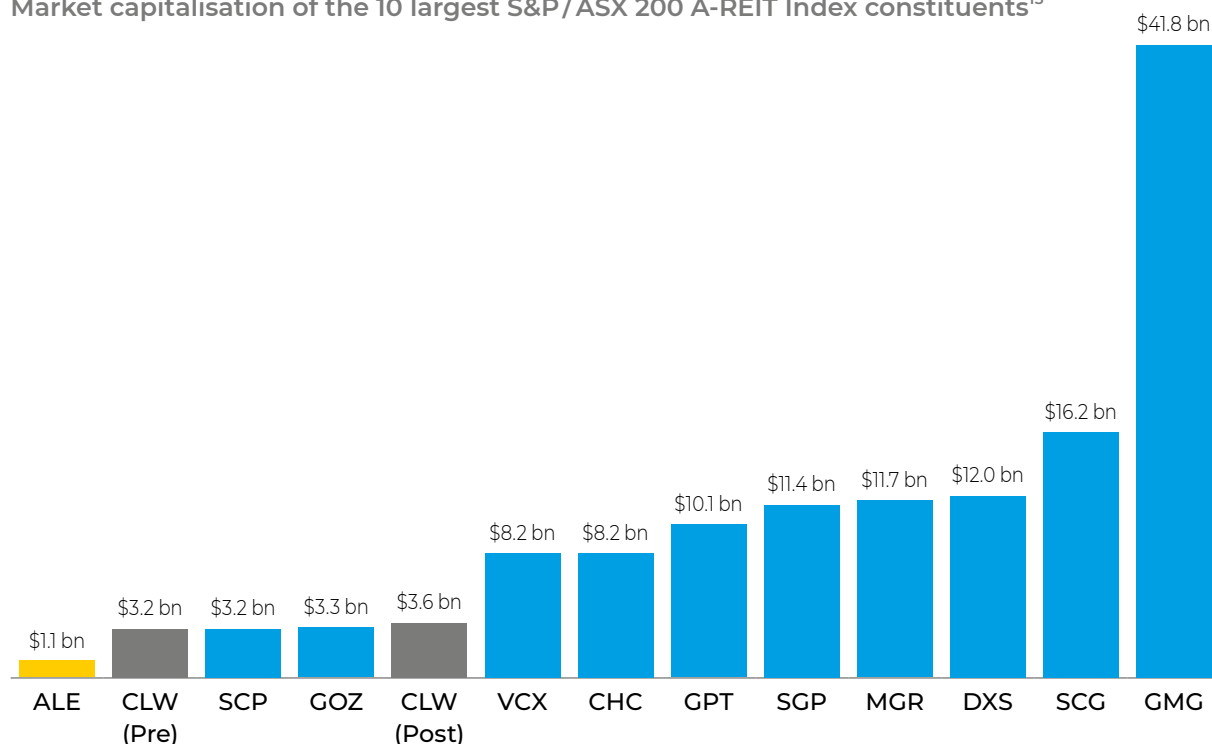
¹¹ Continuing portfolio, excluding properties held for divestment.

¹² As at 30 June 2021, adjusted to include acquisitions post 30 June 2021 that have settled or are expected to settle prior to implementation of the Schemes.

¹³ Post implementation of the Schemes based on CLW's 50% share of total enterprise value consideration.

The Merged Group is expected to have greater relevance for equity and debt investors through increased scale relative to ALE Group on a standalone basis. Based on a market capitalisation of \$3.6 billion¹⁴, the Merged Group is expected to be the 9th largest Australian REIT and a constituent of the S&P/ASX 200 A-REIT Index. The larger market capitalisation of the Merged Group will result in an increased weighting within relevant market indices. Furthermore, the increased scale is also expected to result in an increased trading volume for the Merged Group and improved liquidity for securityholders.

Market capitalisation of the 10 largest S&P/ASX 200 A-REIT Index constituents¹⁵



(e) Participation in the Merged Group via the CLW Securities component of the Scheme Consideration is accretive to distributable earnings, distributions and NTA per security for ALE Scheme Securityholders

If the Schemes are implemented, significant distributable earnings, distributions and NTA per security accretion are expected to be generated for ALE Scheme Securityholders who become securityholders of the Merged Group, on a per ALE Security basis.

An indicative summary of the financial impact of the Schemes for ALE Scheme Securityholders (assuming the Schemes had been implemented in December 2021) is outlined in the table below. Refer to Section 9 for further detail regarding key assumptions for the Merged Group.

Key financial impacts of the Schemes

	ALE standalone	Post-Implementation (ALE equivalent) ¹⁶	Impact vs standalone
FY22 operating earnings per security ¹⁷	15.9 cents	35.2 cents	+122.1%
FY22 distributions per security (9 months, December 2021 quarter to June 2022 quarter) ¹⁸	16.5 cents	26.4 cents	+60.0%

¹⁴ Based on the number of CLW Securities expected to be on issue if the Schemes are implemented at the CLW closing price on 26 October 2021 being the last practicable trading day prior to the date of this Scheme Booklet.

¹⁵ As at 26 October 2021, being the last practicable trading day prior to the date of this Scheme Booklet. Note that ALE is not a constituent of the S&P/ASX 200 A-REIT Index.

¹⁶ See Section 9. Based on Maximum Scrip Consideration exchange ratio of 1.1546 CLW Securities per ALE Security.

¹⁷ Based on an assessment conducted by CLW.

¹⁸ Represents the remaining three quarters of FY22.

Key considerations relevant to your vote

(f) No Superior Proposal has emerged since the announcement of the Schemes

Since the initial announcement of the Schemes on Monday, 20 September 2021 and up to the date of this Scheme Booklet, ALE Group has not received any Superior Proposals and no discussions have taken place to lead the ALE Directors to believe that a Superior Proposal is likely.

(g) The Schemes are subject to limited conditions

The Schemes are not subject to any financing, further due diligence or material adverse change condition.

The Schemes are subject to limited customary conditions consistent with other company schemes of arrangement and trust schemes, including: ALE Securityholder approval, Court approval, there being no ALE Prescribed Occurrence or CLW Prescribed Occurrence and the Independent Expert continuing to conclude that the Schemes are in the best interests of ALE Securityholders.

(h) If the Schemes do not proceed, and no Superior Proposal emerges, the price of ALE Securities may fall

On the last trading day prior to the announcement of the Schemes, being 17 September 2021, the price of ALE Securities was \$4.70. Since then, it has increased by 19.1% to \$5.60 on 26 October 2021 (being the last practicable trading day prior to the date of this Scheme Booklet). If the Schemes are not implemented, and no Superior Proposal emerges, the ALE Directors believe it is likely that the ALE Security price will fall below the price at which it has traded since the announcement of the Schemes on Monday, 20 September 2021.

(i) No brokerage

No brokerage will be payable by ALE Scheme Securityholders on the transfer of their ALE Scheme Units to Consortium Acquirer or their ALE Scheme Shares to Consortium Acquirer Nominee under the Schemes or the receipt by ALE Scheme Securityholders of the Scheme Consideration. If you sell your ALE Securities on ASX you may incur brokerage or other costs.

1.4 Reasons to vote against the Schemes

There are a number of potential reasons why you may consider voting against the Schemes, some of which are outlined in the Section below.

(a) You may prefer to maintain your investment profile and exposure to ALE Group's portfolio and the benefits and risks of being invested in ALE Group

You may prefer to keep your ALE Securities to maintain your investment in a public company with ALE Group's specific characteristics, including but not limited to risk, return and liquidity characteristics. You may consider that it would be difficult to identify and invest in alternative investments that have a similar profile to ALE Group or may incur transaction costs in undertaking any new investment.

In addition, despite the risk factors relevant to ALE Group's future operations as a standalone entity (including those noted in Section 10) and the ALE Directors' recommendation that you vote in favour of the Schemes, you may consider that ALE Group may be able to generate greater returns for its assets as a standalone entity, or by exploring alternative corporate transactions in the future.

(b) You may not wish to have exposure to CLW Group's portfolio, business or risk profile

ALE Scheme Securityholders who receive CLW Securities as part of their Scheme Consideration will have exposure to the more diverse portfolio and business of CLW Group. You may find that the risk and investment profile of CLW Group may not be consistent with your investment preferences. ALE Scheme Securityholders who elect Maximum Cash Consideration will still be exposed to CLW's portfolio and business to the extent that the Scheme Consideration they receive includes CLW Securities pursuant to the Scaleback Arrangements (see Section 4.3 for further details).

You should read Sections 7.1 and 8 which summarise key information about CLW Group. In addition, Section 9 outlines the Financial Profile of the Merged Group and Sections 10.3, 10.4 and 10.5 describe a number of risks specific to the Merged Group and CLW Securities.

(c) You may be exposed to potential tax consequences depending on your individual tax position

The tax consequences of the Schemes will depend on your own individual tax and financial circumstances. General Australian tax considerations of the Schemes are discussed in the taxation report included in Section 11. However, you should obtain advice from your own independent taxation adviser on the tax implications for you if the Schemes are implemented.

You should be aware that no capital gains tax roll-over relief will be available if the Proposal is approved. As no roll-over relief will be available, any capital gain or loss resulting from implementation of the Schemes will need to be taken into account in determining the net capital gain to be included in your assessable income even if you receive part or all of the Scheme Consideration as CLW Securities. Further information is provided in the taxation report at Section 11.

(d) You may disagree with the ALE Directors' unanimous recommendation and the conclusion of the Independent Expert, and believe that the Schemes are not in your best interests

Despite the unanimous recommendation of the ALE Directors and the Independent Expert's opinion that the Schemes are in the best interests of ALE Securityholders (in the absence of a Superior Proposal), you may believe that the Schemes are not in your best interests or that the Scheme Consideration is inadequate.

(e) You may consider that there is the potential for a Superior Proposal to emerge

You may believe that there is potential for a Superior Proposal to emerge in the future. This may include a takeover offer or alternative transaction proposal which would deliver greater benefits to ALE Securityholders or total value in excess of the Scheme Consideration. However, as at the date of this Scheme Booklet, no Superior Proposal has emerged and the ALE Directors are not aware of any Superior Proposal that is likely to emerge.

(f) Potential variability in the implied offer price for movements in the CLW Security price

If the Schemes are implemented, approximately 81.8 million CLW Securities will be issued as consideration to ALE Scheme Securityholders. The implied values of the Mixed Consideration and the Maximum Scrip Consideration have the potential to be influenced by movements in the trading price of CLW Securities on ASX. The future value of CLW Securities may fall which would cause the implied value of the consideration under the Schemes to correspondingly fall.

(g) You will not know the outcome of your Election at the time you make an Election

While the combination of cash and new CLW Securities that will comprise the Mixed Consideration is known, ALE Scheme Securityholders who elect to receive the Maximum Cash Consideration or the Maximum Scrip Consideration (rather than receiving the Mixed Consideration) will not know the precise combination of cash and CLW Securities they will receive at the time of making an Election and the Scheme Consideration they elect may be subject to the Scaleback Arrangements under the terms of the Schemes. ALE Scheme Securityholders electing the Mixed Consideration will not be subject to Scaleback Arrangements and will receive \$3.673 cash and 0.4080 CLW Securities should the Schemes be implemented.

2. Frequently asked questions

Question	Answer	More Information
This Scheme Booklet		
Why have I received this Scheme Booklet?	This Scheme Booklet has been sent to you because you are an ALE Securityholder and you are being asked to vote on the Scheme Resolutions. This Scheme Booklet is intended to provide ALE Securityholders with relevant information in relation to the Schemes in order to assist you in deciding how to vote on the Scheme Resolutions at the Scheme Meetings.	N/A
Proposal Overview		
What is the Proposal?	<p>The Proposal is a proposal for Consortium Acquirer to acquire all of the ALE Scheme Units, and for Consortium Acquirer Nominee to acquire all the ALE Scheme Shares pursuant to the Schemes. The Schemes are the Trust Scheme and the Company Scheme.</p> <p>If the Schemes become Effective and are implemented, then:</p> <ul style="list-style-type: none"> • Consortium Acquirer will acquire all of the ALE Scheme Units and Consortium Acquirer Nominee will acquire all the ALE Scheme Shares; and • ALE Scheme Securityholders will receive in accordance with their Election (or deemed Election): <ul style="list-style-type: none"> - Mixed Consideration, being \$3.673 cash and 0.4080 CLW Securities for each ALE Security held at the Record Date (on the terms as described in Section 4.3(b)); - Maximum Cash Consideration (on the terms, including Scaleback Arrangements, as described in Section 4.3(c)); or - Maximum Scrip Consideration (on the terms, including Scaleback Arrangements, as described in Section 4.3(d)). <p>If the Schemes are implemented, each new CLW Security issued to ALE Scheme Securityholders under the Schemes will rank equally with all other CLW Securities from the date of issue.</p>	Section 4
Why are there two Schemes?	<p>There are two Schemes because ALE Securities comprise a Company Share stapled to a Trust Unit, requiring the Proposal to be implemented by the following two interdependent Schemes:</p> <ul style="list-style-type: none"> • the Company Scheme, being the scheme of arrangement between ALE and ALE Securityholders (as holders of Company Shares) for the transfer of all of the ALE Scheme Shares to Consortium Acquirer Nominee; and • the Trust Scheme, being a scheme of arrangement under which all of the ALE Scheme Units will be transferred to Consortium Acquirer, facilitated by an amendment to the ALE Trust Constitution as set out in the Supplemental Deed. 	Section 4.5 ALE Scheme of Arrangement (Annexure B) Supplemental Deed (Annexure E)
What will happen to ALE Group if the Schemes become Effective and are implemented?	If the Schemes become Effective and are implemented, ALE will be acquired by Consortium Acquirer Nominee, ALE Trust will be acquired by Consortium Acquirer, and an application will be made for termination of the official quotation of ALE Securities on ASX and to have ALE Group removed from the official list of ASX.	Section 12.10
Are there conditions to the Schemes proceeding?	Implementation of the Schemes is subject to the satisfaction or waiver (as applicable) of a number of Conditions Precedent. These Conditions Precedent are summarised in Sections 4.2 and 13.5. The Conditions Precedent do not include any due diligence, financing or material adverse change conditions.	Sections 4.2 and 13.5

Question	Answer	More Information
Are there any termination rights?	<p>The Scheme Implementation Deed contains standard termination rights for both Consortium Acquirer and ALE.</p> <p>These termination rights include mutual termination rights where:</p> <ul style="list-style-type: none"> • one or more of the Conditions Precedent has not been satisfied or waived by the End Date or becomes incapable of being satisfied by the End Date; • if at any time before 8.00 am on the Second Court Date the other party is in material breach of any clause of the Scheme Implementation Deed (other than a breach of representations and warranties); • if at any time before 8.00 am on the Second Court Date the other party has breached its representations and warranties given under the Scheme Implementation Deed; • if the Schemes have not become Effective on or before the End Date; or • if the Scheme Resolutions are not approved by the requisite majority at the Scheme Meeting. <p>Consortium Acquirer may terminate the Scheme Implementation Deed in certain circumstances where:</p> <ul style="list-style-type: none"> • either a majority of the ALE Directors or a majority of the independent ALE Directors have changed, withdrawn or adversely modified their Recommendation or Voting Statement or made a public statement supporting or endorsing a Competing Proposal; or • ALE enters into an agreement to implement a Competing Proposal. <p>ALE may terminate the Scheme Implementation Deed where a majority of the independent ALE Directors have withdrawn their Recommendation or Voting Statement or made a public statement supporting or endorsing a Competing Proposal, <i>and</i> ALE has complied with its exclusivity and Break Fee obligations under the Scheme Implementation Deed.</p> <p>Refer to the FAQs below and Section 13.5 for details on to the Break Fee (payable by ALE to Consortium Acquirer under certain circumstances) and Reverse Break Fee (payable by Consortium Acquirer to ALE under certain circumstances).</p>	Section 13.5
The ALE Directors' recommendation, the Independent Expert's opinion and securityholder support		
Do the ALE Directors recommend the Proposal?	The ALE Directors unanimously recommend that ALE Securityholders vote in favour of the Proposal, in the absence of a Superior Proposal.	Section 4.8
Do the ALE Directors intend to vote on the Proposal?	As at the date of this Scheme Booklet, the ALE Directors hold in aggregate approximately 0.09% of all ALE Securities on issue. Each ALE Director intends to vote any ALE 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 ALE Securityholders.	N/A
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Proposal is in the best interests of ALE Securityholders in the absence of a Superior Proposal.	Independent Expert's Report (Annexure A)

Frequently asked questions

Question	Answer	More Information
Have any major Securityholders indicated their intentions with respect to the Schemes?	Caledonia (Private) Investments Pty Ltd (Caledonia) currently holds approximately 33.6% of ALE Securities on issue. ¹⁹ Caledonia has confirmed to ALE that it intends to 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 ALE Securityholders.	N/A
Further details in relation to the Schemes		
Who is entitled to participate in the Schemes?	If the Scheme Resolutions are approved and the Conditions Precedent are satisfied or waived (if applicable) and the Schemes become Effective and are implemented, all ALE Securityholders on the ALE Register at the Record Date will become entitled to the Scheme Consideration in respect of the ALE Securities they hold at that time, subject to the terms of the Sale Facility applicable to Ineligible Foreign Securityholders.	Section 12.4
What is an Ineligible Foreign Securityholder?	An Ineligible Foreign Securityholder is an ALE Scheme Securityholder whose address, as shown in the ALE Register (as at the Record Date), is in a place outside Australia and Australia's external territories, unless ALE is satisfied, acting reasonably, that the laws of that place permit the allotment and issue of CLW Securities to that ALE Scheme Securityholder pursuant to the Schemes, either unconditionally or after compliance with conditions that ALE in its sole discretion regards as acceptable and not unduly onerous or impracticable.	N/A
What if I am an Ineligible Foreign Securityholder at the Record Date?	If the Scheme Resolutions are approved and the Conditions Precedent are satisfied or waived (if applicable) and the Schemes become Effective and are implemented, ALE Scheme Securityholders who are Ineligible Foreign Securityholders will receive cash instead of the new CLW Securities they would otherwise have been entitled to under the Schemes through and subject to the terms of the Sale Facility.	Sections 4.3(f) and 4.3(g)
What will I receive if the Schemes become Effective and are implemented?	Subject to the below paragraphs, if the Schemes become Effective and are implemented, ALE Scheme Securityholders will receive the Scheme Consideration in accordance with their valid Election, or in the absence of a valid Election an ALE Scheme Securityholder will be deemed to have elected to receive the Mixed Consideration. The amount of cash and new CLW Securities to be received by each ALE Scheme Securityholder making an Election, other than an Election to receive Mixed Consideration, will only be known after the Election Date, when any required scaled back component has been calculated in accordance with the Scaleback Arrangements. Ineligible Foreign Securityholders should note that despite any Election they make (or are deemed to make) they will be deemed to elect to receive the Mixed Consideration and will not receive CLW Securities. They will receive cash instead of the new CLW Securities they would otherwise have been entitled to under the Schemes through and subject to the terms of the Sale Facility.	Section 4.3

¹⁹ According to the most recent substantial holder filing provided to ASX on 18 September 2020, Caledonia also holds an interest in 15,055,438 ALE Securities (approximately 7.61%) via a cash settled equity swap. It does not control voting rights in these securities.

Question	Answer	More Information
What Elections can I make?	<p>The Elections which ALE Securityholders may make are:</p> <ul style="list-style-type: none"> • a cash amount equal to \$3.673 and 0.4080 new CLW Securities per ALE Security (on the terms as described in Section 4.3(b)); • Maximum Cash Consideration, being \$5.681 per ALE Security (on the terms, including Scaleback Arrangements, as described in Section 4.3(c)); or • Maximum Scrip Consideration, being 1.1546 CLW Securities per ALE Security (on the terms, including Scaleback Arrangements, as described in Section 4.3(d)), <p>in each case, less the Permitted Distribution Amount (if any).²⁰</p> <p>Ineligible Foreign Securityholders should note that despite any Election they make (or are deemed to make) they will be deemed to elect to receive the Mixed Consideration and will not receive CLW Securities. They will receive cash instead of the new CLW Securities they would otherwise have been entitled to under the Schemes through and subject to the terms of the Sale Facility. ALE Scheme Securityholders who do not make a valid Election will receive the Mixed Consideration.</p>	Sections 4.3 and 4.4
Am I guaranteed to receive the Scheme Consideration I have elected to receive?	<p>If the Schemes are approved, become Effective and are implemented, and you make an Election for Mixed Consideration, or have not made a valid Election and you are an ALE Scheme Securityholder, you are guaranteed to receive the Mixed Consideration, being \$3.673 and 0.4080 CLW Securities per ALE Security.</p> <p>If you elect:</p> <ul style="list-style-type: none"> • Maximum Cash Consideration, you will receive \$5.681 per ALE Security less the Permitted Distribution Amount (if any) (on the terms, including Scaleback Arrangements, as described in Section 4.3(c)); or • Maximum Scrip Consideration, you will receive 1.1546 CLW Securities per ALE Security less the Permitted Distribution Amount (if any) (on the terms, including Scaleback Arrangements, as described in Section 4.3(d)). <p>The amount of cash and new CLW Securities to be received by each ALE Scheme Securityholder making an Election, other than an Election to receive Mixed Consideration, will only be known after the Election Date, when any required scale back has been calculated in accordance with the Scaleback Arrangements. An ALE Scheme Securityholder may not receive the exact Scheme Consideration in accordance with their Election.</p> <p>Ineligible Foreign Securityholders should note that despite any Election they make (or are deemed to make) they will be deemed to elect to receive the Mixed Consideration and will not receive CLW Securities. They will receive cash instead of the new CLW Securities they would otherwise have been entitled to under the Schemes through and subject to the terms of the Sale Facility.</p> <p>In each case, the Scheme Consideration will be reduced by the Permitted Distribution Amount (if any).</p>	Section 4.3

²⁰ In this Scheme Booklet:

- references to the Mixed Consideration of \$3.673 cash and 0.4080 CLW Securities for each ALE Security held at the Record Date are rounded to three decimal places and four decimal places respectively; and
- references to Maximum Cash Consideration of \$5.681 per ALE Security and Maximum Scrip Consideration of 1.1546 CLW Securities per ALE Security are rounded to three decimal places and four decimal places respectively.

Accordingly, the actual calculation of values of Scheme Consideration is subject to the effect of rounding.

Frequently asked questions

Question	Answer	More Information
What are the Scaleback Arrangements?	<p>If you elect to receive the Maximum Cash Consideration or Maximum Scrip Consideration, those Elections may be subject to the Scaleback Arrangements.</p> <p>This is because the Scheme Consideration is comprised of a fixed Available Cash Consideration and Available Scrip Consideration. If Elections are made such that the Available Cash Consideration or the Available Scrip Consideration would be exceeded, then the Scaleback Arrangements will be applied to ALE Scheme Securityholders' Elections as described below and in Sections 4.3(c) and 4.3(d).</p> <p>Please see Section 4.3(h) for worked examples of the outcome of Elections and the application of the Scaleback Arrangements.</p> <p>Maximum Cash Consideration</p> <p>If the Scaleback Arrangements apply to the Maximum Cash Consideration, ALE Scheme Securityholders who have elected to receive the Maximum Cash Consideration will receive less than \$5.681 per ALE Security, and will receive CLW Securities in place of the scaled back component of the cash consideration to which they would otherwise have been entitled, in accordance with the terms of the Scaleback Arrangements.</p> <p>Maximum Scrip Consideration</p> <p>If the Scaleback Arrangements apply to the Maximum Scrip Consideration, ALE Scheme Securityholders who have elected to receive the Maximum Scrip Consideration will receive less than 1.1546 CLW Securities per ALE Security, and will receive cash in place of the scaled back component of the CLW Securities to which they would otherwise have been entitled, in accordance with the terms of the Scaleback Arrangements.</p>	Section 4.3
How will fractional entitlements be treated?	<p>Where the number of ALE Securities held by an ALE Scheme Securityholder as at the Record Date is such that the aggregate entitlement of the ALE Scheme Securityholder to the Scheme Consideration:</p> <ul style="list-style-type: none"> • includes a fractional entitlement to a CLW Security; and/or • includes a fractional entitlement to a cent, <p>then the entitlement of that ALE Scheme Securityholder must be rounded up or down to the nearest whole number, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of CLW Securities or cents (as applicable), and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of CLW Securities or cents (as applicable).</p>	Section 12.6
How do I make an Election?	<p>You may make your Election for your ALE Scheme Securities by submitting an Election Form by 5.00 pm (Sydney time) on Thursday, 25 November 2021.</p>	Section 4.4
Can I change my Election?	<p>No. An Election made by an ALE Securityholder, whether valid or not, will be irrevocable unless ALE and Consortium Acquirer in their discretion agree to the revocation of the Election.</p>	Section 4.4
What is the total maximum consideration payable by Consortium Acquirer to ALE Scheme Securityholders if the Schemes are approved, become Effective and are implemented?	<p>The Scheme Consideration is comprised of a maximum fixed Available Cash Consideration and Available Scrip Consideration.</p> <p>The Available Cash Consideration is an amount equal to \$3.673 (as reduced by the Permitted Distribution Amount (if any) as described in Section 4.3(c)) multiplied by the number of ALE Scheme Securities.</p> <p>The Available Scrip Consideration is the number of CLW Securities equal to 0.4080 multiplied by the number of ALE Scheme Securities.</p>	Section 4.3

Question	Answer	More Information
What will my distribution be for the 3 month period ending 31 December 2021?	Whilst it is currently expected that the Schemes will become Effective and are implemented in December 2021, in the event that there is an unforeseen delay in the timetable, ALE Group will be entitled to pay a distribution, and the ALE Securityholders who are on the ALE Register on the record date for that distribution (anticipated to be 31 December 2021) will receive a distribution from ALE Group, in respect of the period ended 31 December 2021. In such a case, the Scheme Consideration will be reduced by the value of any distribution paid for that period. If applicable, the current expectation is that ALE Group's distribution for the December quarter would be paid on or about 15 February 2022.	Section 4.3(e)

Benefits, potential disadvantages and risks of the Proposal

Why should I vote in favour of the Schemes?	<p>ALE's Board and management, in conjunction with its advisers, have carefully considered the outlook for ALE Group as a standalone entity, having regard to:</p> <ul style="list-style-type: none"> • the structure and terms of the existing lease arrangements with Endeavour Group; • the prospects for future development of ALE Group's portfolio and the potential value that could accrue to ALE Securityholders; • the 2018 rent determination process and outcomes and the implications for the 2028 uncapped rent review and impact on the future prospects of ALE Group; • the result of the Victorian litigation and remaining uncertainty in relation to the 2018 rent determination process; and • various historic initiatives to seek to restructure the leases and uncapped rent review process with ALH that were not progressed to a mutually acceptable outcome. <p>In considering the Proposal, the ALE Directors identified a number of benefits for ALE Securityholders which could flow from the Schemes becoming Effective and being implemented.</p> <p>The ALE Directors consider these benefits to be reasons why ALE Securityholders may vote in favour of the Scheme Resolutions.</p> <p>The benefits and reasons to vote in favour include:</p> <ul style="list-style-type: none"> • the Scheme Consideration, including the 'mix and match' alternatives, represents a material premium for ALE Securities; • the Independent Expert has concluded that the Schemes are in the best interests of ALE Securityholders in the absence of a Superior Proposal; • the 'mix and match' alternatives provides flexibility and choice to ALE Securityholders; • the Schemes provide an opportunity to participate in the Merged Group with continued exposure to ALE Group properties and potentially benefit from the increased scale, diversification and liquidity of the Merged Group; • participation in the Merged Group via the CLW Securities component of the Scheme Consideration is accretive to distributable earnings, distributions and NTA per security for ALE Securityholders; • no Superior Proposal has emerged since the announcement of the Schemes; • the Schemes are subject to limited conditions; • if the Schemes do not proceed, and no Superior Proposal emerges, the price of ALE Securities may fall; and • no brokerage will be payable by ALE Scheme Securityholders on the transfer of their ALE Scheme Units to Consortium Acquirer or their ALE Scheme Shares to Consortium Acquirer Nominee under the Schemes or the receipt by ALE Scheme Securityholders of the Scheme Consideration. 	Sections 1.2 and 1.3
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Frequently asked questions

Question	Answer	More Information
Why might I consider voting against the Proposal?	<p>In considering the Proposal the ALE Directors acknowledge there may be potential disadvantages for ALE Securityholders.</p> <p>The ALE Directors consider these potential disadvantages as reasons why ALE Securityholders may vote against the Scheme Resolutions. These include:</p> <ul style="list-style-type: none">• you may prefer to maintain your investment profile and exposure to ALE Group's portfolio and the benefits and risks of being invested in ALE Group;• you may not wish to have exposure to CLW Group's portfolio, business or risk profile, noting this can potentially be mitigated by electing to receive the Maximum Cash Consideration option available under the 'mix and match' alternatives. ALE Scheme Securityholders who elect Maximum Cash Consideration will still be exposed to CLW's portfolio and business to the extent that the Scheme Consideration they receive includes CLW Securities pursuant to the Scaleback Arrangements (see Section 4.3 for further details);• you may be exposed to potential tax consequences depending on your individual tax position. You should be aware that no capital gains tax roll-over relief will be available if the Proposal is approved;• you may disagree with the ALE Directors' unanimous recommendation and the conclusion of the Independent Expert, and believe that the Schemes are not in your best interests;• you may consider that there is the potential for a Superior Proposal to emerge;• potential variability in the implied offer price for movements in the CLW Security price; and• if you elect to receive the Maximum Cash Consideration or the Maximum Scrip Consideration, you will not know the outcome of your Election at the time you make the Election.	Section 1.4

Question	Answer	More Information
What are the key risks associated with the Proposal?	<p>The risks associated with the Proposal are set out in Section 10 and the potential disadvantages of the Proposal are also set out in Section 1.4. You should also review the tax implications of the Proposal which are set out in Section 11.</p> <p>In summary, there are four categories of risks:</p> <ul style="list-style-type: none"> • specific risk factors that arise in relation to the Proposal; • specific risk factors that arise from the Merged Group; • specific risk factors relating to CLW Securities; and • other general risks of the Merged Group. <p>The key risks associated with the Proposal include the following:</p> <ul style="list-style-type: none"> • risk relating to the fact that ALE Scheme Securityholders may not receive their preferred form of Scheme Consideration due to the Scaleback Arrangements; and • risk relating to the fact that the exact value of any Scheme Consideration is not certain, due to the fact that the value of the CLW Securities issued as a part of that Scheme Consideration may fluctuate in accordance with the market value of CLW Securities. <p>The specific risks associated with the Merged Group and CLW Securities as well as other general risks which apply to the Merged Group include:</p> <ul style="list-style-type: none"> • risks associated with the ongoing effects of the COVID-19 pandemic and other common risks associated with investing in an Australian Real Estate Investment Trust; and • risks associated with holding equity securities, including dilution risk and risks associated with equity capital markets. <p>Additional risks are outlined in Section 10.</p> <p>These and other risks (including those of a general nature) may affect the future operating performance, financial position and/or reputation of the Merged Group and/or the value of any CLW Securities.</p>	Section 10
Meeting details, voting and approval thresholds		
When and where will the Scheme Meetings be held?	<p>The Scheme Meetings will be held at 11.00 am (Sydney time) or following the conclusion of the 2021 AGM (whichever occurs later), on Thursday, 2 December 2021. As a result of the potential health risks associated with large gatherings and the ongoing COVID-19 pandemic, the Scheme Meetings will be virtual (online only). There will not be a physical meeting where ALE Securityholders or their proxies, attorneys or corporate representatives can attend in person.</p>	Notice of Scheme Meetings (Annexure D)
Who is entitled to vote at the Scheme Meetings?	<p>All ALE Securityholders on the ALE Register as at 7.00 pm (Sydney time) on Tuesday, 30 November 2021 are entitled to attend and vote at the Scheme Meetings.</p>	Notice of Scheme Meetings (Annexure D)
Why should I vote?	<p>Voting is not compulsory. However, your vote will be important in determining whether the Schemes will proceed. The ALE Directors recommend that you read this Scheme Booklet carefully and vote in favour of the Schemes, in the absence of a Superior Proposal.</p>	Section 3.2
Can I oppose the Schemes on the Second Court Date?	<p>Each ALE Securityholder has the right to appear and make submissions at the Court on the Second Court Date to be held on Tuesday, 7 December 2021.</p>	N/A

Frequently asked questions

Question	Answer	More Information
<p>What are the Scheme Resolutions and what voting majorities are required for the Schemes?</p>	<p>Trust Scheme</p> <p>ALE Securityholders (as holders of Trust Units) must approve:</p> <ul style="list-style-type: none"> • a special resolution to approve amendments to the ALE Trust Constitution as set out in the Supplemental Deed and to authorise ALE to execute and lodge with ASIC the Supplemental Deed to give effect to those amendments. The resolution must be approved by a special resolution, which requires approval by at least 75% of the votes cast on the resolution at the Trust Scheme Meeting by ALE Securityholders entitled to vote on that resolution; • an ordinary resolution of holders of Trust Units to approve the Unstapling on the Implementation Date. The resolution must be approved by an ordinary resolution, which requires approval by at least 50% of the votes cast on the resolution at the Trust Scheme Meeting by ALE Securityholders entitled to vote on that resolution; and • an ordinary resolution for the purpose of item 7 of section 611 of the Corporations Act to approve the acquisition by Consortium Acquirer of all of the Trust Units as part of the Trust Scheme. The resolution must be approved by an ordinary resolution of ALE Securityholders, which requires approval by at least 50% of the votes cast on the resolution at the Trust Scheme Meeting by ALE Securityholders entitled to vote on that resolution. <p>Company Scheme</p> <p>ALE Securityholders (as holders of Company Shares) must approve:</p> <ul style="list-style-type: none"> • the acquisition by Consortium Acquirer Nominee of all of the Company Shares as part of the Company Scheme. The resolution must be approved by at least 50% of the total number of ALE Securityholders present and voting (either in person or by proxy), and at least 75% of the votes cast on the resolution by ALE Securityholders entitled to vote on that resolution; and • an ordinary resolution of holders of Company Shares to approve the Unstapling on the Implementation Date. The resolution must be approved by an ordinary resolution, which requires approval by at least 50% of the votes cast on the resolution at the Scheme Meeting by ALE Securityholders entitled to vote on that resolution. 	<p>Section 4.5 and Notice of Scheme Meetings (Annexure D)</p>
<p>What choices do I have as an ALE Securityholder?</p>	<p>As an ALE Securityholder, you have the following choices:</p> <ul style="list-style-type: none"> • you can vote at the Scheme Meetings in person, by proxy, by attorney or, in the case of a body corporate, by duly appointed corporate representative; • you can elect not to vote at the Scheme Meetings; • you can sell your ALE Securities prior to the Effective Date; or • you can do nothing. 	<p>Section 3</p>
<p>If I wish to support the Schemes, what should I do?</p>	<p>If you are an ALE Securityholder at 7.00 pm (Sydney time) on Tuesday, 30 November 2021 and you are entitled to vote on the Scheme Resolutions at the Scheme Meetings and wish to support the Schemes, you should vote in favour of the Scheme Resolutions.</p>	<p>Section 3.2 and Notice of Scheme Meetings (Annexure D)</p>
<p>How do I vote?</p>	<p>You may vote by virtually attending the Scheme Meetings. Alternatively, if you do not want to, or cannot, virtually attend, you can vote by direct vote, proxy, by attorney or by corporate representative (in the case of a body corporate) in accordance with the instructions in the Notice of Scheme Meetings.</p>	<p>Section 3.2 and Notice of Scheme Meetings (Annexure D)</p>

Question	Answer	More Information
What happens if I vote against the Proposal or do not vote?	<p>If you do not vote, or if you vote against the Schemes or any of the Scheme Resolutions, then the Schemes may not be approved.</p> <p>The Schemes cannot be implemented unless all of the Scheme Resolutions are approved by the requisite majorities of ALE Securityholders at the Scheme Meetings.</p> <p>However, even if you do not vote or vote against any of the Scheme Resolutions, this does not mean the Schemes will not be approved.</p> <p>If you vote against the Scheme Resolutions and those resolutions are approved and the Conditions Precedent are satisfied or waived (if applicable) and the Schemes become Effective, the Schemes will be implemented.</p>	N/A
Can I participate in the Schemes even if I was not eligible to vote at the Scheme Meetings?	<p>Yes. If the Scheme Resolutions are approved and the Conditions Precedent are satisfied or waived (if applicable) and the Schemes become Effective and are implemented, and if you are an ALE Securityholder on the ALE Register at the Record Date, you will become entitled to the Scheme Consideration in respect of the ALE Securities that you hold at that time, subject to the terms of the Sale Facility applicable to Ineligible Foreign Securityholders.</p> <p>This entitlement will be irrespective of whether you vote, or were eligible to vote, at the Scheme Meetings. You are entitled to attend and vote at the Scheme Meetings only if you are an ALE Securityholder on the ALE Register as at 7.00 pm (Sydney time) on Tuesday, 30 November 2021.</p>	'Key Dates' Section 12.4 Notice of Scheme Meetings (Annexure D)
Can I keep my ALE Securities if the Schemes are approved, become Effective and are implemented?	<p>No. If the Scheme Resolutions are approved by the requisite majorities (even if you did not vote, or voted against the Scheme Resolutions) and you are an ALE Scheme Securityholder, and the Schemes become Effective and are implemented, you will be bound by the Schemes and Consortium Acquirer and Consortium Acquirer Nominee will acquire your ALE Securities and you will receive the Scheme Consideration.</p>	N/A
What happens if the Scheme Resolutions are not approved?	<p>If any of the Scheme Resolutions are not approved, or any other Conditions Precedent are not satisfied or waived (if applicable), and the Schemes do not proceed:</p> <ul style="list-style-type: none"> • ALE Group will remain listed on ASX; • the expected benefits of the Schemes will not be realised and the potential disadvantages and risks associated with the Schemes will not arise; • ALE Securityholders will retain their ALE Securities; • ALE Securityholders will not receive the Scheme Consideration, • the trading price of ALE's Securities on ASX may fall; and • the Break Fee of \$11 million may be payable by ALE to Consortium Acquirer in certain circumstances, however, those circumstances do not include the failure by the ALE Securityholders to approve the Scheme Resolutions. 	Section 4.12
CLW, Consortium Acquirer, CLW Securities and the Merged Group		
Who is CLW?	<p>CLW is 'Charter Hall Long WALE REIT', a 'stapled entity' comprising Charter Hall Direct Industrial Fund and LWR Finance Trust.</p> <p>CLW is an ASX-listed Australian Real Estate Investment Trust that invests in high quality real estate assets leased to corporate and government tenants on long leases. CLW is managed by the Charter Hall Group, one of Australia's leading fully integrated property groups.</p>	Section 7

Frequently asked questions

Question	Answer	More Information
Who is Consortium Acquirer?	<p>Consortium Acquirer is a special purpose acquisition trust which is owned in equal proportions by CLW and Hostplus for the purpose of implementing the Proposal.</p> <p>As noted above, CLW is an Australian Real Estate Investment Trust. Hostplus, through the Hostplus Superannuation Fund, is one of the largest industry superannuation funds in Australia.</p>	Section 6
What are CLW Securities?	CLW Securities are 'stapled securities' in Charter Hall Long WALE REIT. Each stapled security comprises one unit in Charter Hall Direct Industrial Fund and one unit in LWR Finance Trust.	Section 8
If the Schemes are implemented, what will the Merged Group look like?	<p>The Merged Group is CLW following implementation of the Schemes. Section 9 of the Scheme Booklet sets out a description of CLW if the Schemes are implemented. For example, if the Schemes are implemented:</p> <ul style="list-style-type: none"> • the number of properties within CLW's portfolio will increase from 472 to 550 properties; • CLW's hospitality exposure by value will increase from 10% to 21%, and its office exposure will decrease from 24% to 21%; • CLW's exposure to Endeavour Group by net income will increase to 18%, becoming the largest tenant exposure in the CLW portfolio; and • CLW will maintain a long portfolio 'weighted average lease expiry' of 12.6 years. 	Section 9
Are any material rights triggered by the Proposal (for example, default and/or pre-emptive rights)?	There are no material contracts to which CLW is a party and which are in place which would be breached or adversely impacted by the Proposal.	Section 8.7
What will be the strategy of the Merged Group?	As noted above, the Merged Group is CLW following implementation of the Schemes. The strategy of CLW following implementation of the Schemes is not expected to materially change.	Section 8.1(b)
What will the Merged Group's financing structure be and how will the existing financing arrangements of ALE Group and CLW be dealt with by the Merged Group?	<p>Following the implementation of the Schemes, the composition of the Merged Group's financing structure will reflect CLW's existing financing structure plus CLW's funding requirements for the Proposal.</p> <p>CLW will meet its funding requirements for the Proposal using a combination of equity (CLW securities issued to ALE Scheme Securityholders) and debt (used to refinance ALE Group's existing debt facilities, excluding the Capital Indexed Bond, and fund transaction costs).</p> <p>CLW's total debt funding requirement is \$404.6 million. CLW has existing undrawn debt capacity and has executed binding debt commitment letters which collectively provide CLW with total committed debt capacity significantly in excess of its debt requirements for the Proposal.</p> <p>The binding commitment letters have been executed with three major Australian banks, all of which are current lenders to CLW, for a total of \$350 million of incremental debt capacity via an upside to the existing unsecured facilities these banks provide to CLW.</p>	N/A
How will the gearing of the Merged Group compare to the gearing of ALE Group?	The Merged Group is expected to have pro-forma balance sheet gearing of 35.4% and look-through gearing of 42.5%. ALE currently has gearing of 36.4%.	N/A

Question	Answer	More Information
Who will be on the board of the Merged Group following implementation of the Proposal?	The composition of the CLW Board is not expected to change following implementation of the Schemes.	N/A
Who will comprise the management of the Merged Group following implementation of the Proposal?	The management of CLW is not expected to change following implementation of the Schemes.	N/A
What will the Merged Group be known as?	As noted above, the Merged Group is CLW following implementation of the Schemes. The Merged Group will continue to be known as CLW or 'Charter Hall Long WALE REIT'.	N/A
Implementation and other matters		
When will the Schemes be completed and implemented?	If the Scheme Resolutions are approved and the Conditions Precedent are satisfied or waived (if applicable) and the Schemes become Effective, the Schemes will be implemented on the Implementation Date, which is expected to be Friday, 17 December 2021.	'Key Dates'
When will I be paid any cash consideration under the Schemes and receive my new CLW Securities?	<p>ALE must, subject to being provided with the funds by Consortium Acquirer, pay the cash component of the Scheme Consideration to the ALE Scheme Securityholders on the Implementation Date, which is expected to be Friday, 17 December 2021.</p> <p>New CLW Securities are expected to be issued to ALE Scheme Securityholders on the Implementation Date, which is expected to be Friday, 17 December 2021. You will be sent a holding statement reflecting the issue of the CLW Securities within 2 Business Days after the Implementation Date.</p> <p>Ineligible Foreign Securityholders should also note the response immediately below.</p>	'Key Dates' and Section 12.7
When will I receive my cash if I am an Ineligible Foreign Securityholder?	<p>ALE Scheme Securityholders who are Ineligible Foreign Securityholders will be paid as follows:</p> <ul style="list-style-type: none"> ALE must, subject to being provided with the funds by Consortium Acquirer, pay the cash component of the Mixed Consideration to the ALE Scheme Securityholders on the Implementation Date, which is expected to be Friday, 17 December 2021; and for the scrip component of the Mixed Consideration, they are entitled to receive the cash under the Sale Facility promptly after all funds from the sale of the Sale Securities have been transferred to ALE. In any event, payment is required to be made not more than 22 Business Days after the Implementation Date. 	Section 12.7
Can I sell my ALE Securities on ASX?	You can sell your ALE Securities on ASX up to and including the Effective Date.	'Key Dates'

Frequently asked questions

Question	Answer	More Information
What happens if a Competing Proposal for ALE Group emerges?	<p>If a Competing Proposal emerges, the ALE Directors, having regard to their obligations under the Scheme Implementation Deed (including the “no talk” and “no shop” restrictions stipulated therein), will consider the merits of that proposal.</p> <p>If the ALE Directors consider that the Competing Proposal is or could reasonably be considered to become a Superior Proposal, then:</p> <ul style="list-style-type: none"> • ALE Securityholders will be informed through an announcement on ASX; and • the ALE Directors will carefully consider the Superior Proposal and will provide you with a detailed recommendation in relation to it. <p>If the ALE Directors withdraw or adversely modify their Recommendation or Voting Statement, ALE may be required to pay to Consortium Acquirer the Break Fee of \$11 million (subject to certain limitations).</p>	N/A
When is the Break Fee payable?	<p>Under the Scheme Implementation Deed, ALE must pay to Consortium Acquirer the Break Fee of \$11 million if certain specified events occur, including in circumstances where a majority of the ALE Directors have withdrawn their Recommendation or Voting Statement or made a public statement supporting or endorsing a Competing Proposal (subject to limited exceptions).</p> <p>However, the Break Fee will not be payable merely because the Scheme Resolutions are not approved at the Scheme Meetings.</p>	Section 13.5
Is there a Reverse Break Fee and when is the Reverse Break Fee payable?	<p>Under the Scheme Implementation Deed, Consortium Acquirer must pay to ALE the Reverse Break Fee of \$11 million in circumstances where the Scheme Implementation Deed is terminated as a result of Consortium Acquirer’s breach of its obligations (subject to limited exceptions).</p>	Section 13.5
What are the transaction costs associated with the Proposal?	<p>ALE Group will incur external transaction costs in connection with the Schemes. Certain of these costs are conditional on the Schemes proceeding, and if the Schemes are implemented, these will effectively be borne by Consortium Acquirer who will have acquired ALE Group. If the Schemes are implemented, ALE Group expects to pay an aggregate of approximately \$21.03 million (excluding GST) in external transaction costs in connection with the Schemes. If the Schemes are not implemented, ALE Group expects that external transaction costs will be approximately \$2.63 million (excluding GST). These transaction costs are primarily payable to ALE Group’s financial, legal and tax advisors, the Independent Expert and the ALE Registry.</p>	Section 13.14
Do I have to pay brokerage fees or stamp duty to participate in the Proposal?	<p>No brokerage or stamp duty will be payable by ALE Scheme Securityholders on the transfer of their ALE Scheme Units to Consortium Acquirer or their ALE Scheme Shares to Consortium Acquirer Nominee under the Schemes or the receipt by ALE Scheme Securityholders of the Scheme Consideration.</p>	Section 4.11

Question	Answer	More Information
<p>What are the tax implications of the Proposal for ALE Securityholders?</p>	<p>The tax implications of the Schemes will depend on your personal circumstances. A general outline of the main Australian tax implications of the Schemes for certain ALE Securityholders is set out in Section 11.</p> <p>You should be aware that no capital gains tax roll-over relief will be available if the Proposal is approved even if you receive part or all of the Scheme Consideration as CLW Securities. For a trust acquisition, the roll-over relief in the tax law only applies if the trust which acquires your ALE Scheme Securities is the same trust which issues the replacement securities as Scheme Consideration. However, under the Consortium Acquirer's structure as described in Section 6.3, the Consortium Acquirer is a different trust to the trust which will issue the CLW Securities as the Scheme Consideration. Further information is provided in the taxation report at Section 11.</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.</p>	Section 11
<p>Where can I get further information?</p>	<p>If you have any questions or require further information in relation to the Scheme Booklet or the Schemes, you can contact the ALE Securityholder Information Line on 1300 381 572 (within Australia) or +61 2 9066 4059 (outside Australia), between 9.00 am and 5.00 pm (Sydney time), Monday to Friday (excluding public holidays).</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

3. What should you do in relation to the Schemes?

3.1 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 Scheme Resolutions. Accordingly, you should read this Scheme Booklet in its entirety before making a decision on how to vote on the Scheme Resolutions.

You should also consult your legal, financial, tax or other professional adviser in relation to voting on the Scheme Resolutions and making an Election. Answers to some common questions are contained in Section 2.

If you have any questions, please contact the ALE Securityholder Information Line 1300 381 572 (within Australia) or +61 2 9066 4059 (outside Australia), between 9.00 am and 5.00 pm (Sydney time), Monday to Friday (excluding public holidays).

3.2 Step 2: Vote on the Schemes

YOUR VOTE IS IMPORTANT

If you are an ALE Securityholder at 7.00 pm (Sydney time) on Tuesday, 30 November 2021, 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 Company Scheme Meeting to vote on the Company Scheme Resolutions.

The Trust Scheme Meeting and the Company Scheme Meeting will be conducted concurrently in all respects (at 11.00 am (Sydney time) or following the conclusion of the 2021 AGM (whichever occurs later), on Thursday, 2 December 2021). 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 Scheme Resolutions (which comprise of the Trust Scheme Resolutions and the Company Scheme Resolutions) must be all approved by the requisite majorities of the ALE Securityholders for the Schemes to proceed. If the Scheme Resolutions are approved by the requisite majorities of ALE Securityholders at the Scheme Meetings and all Conditions Precedent have been satisfied or waived (if applicable), ALE will apply to the Court to approve the Company Scheme and give the Second Judicial Advice on the Second Court Date.

(a) Trust Scheme Meeting

The Trust Scheme Resolutions seek ALE Securityholders' approval (in their capacity as holders of Trust Units) of the Trust Scheme. The Trust Scheme Resolutions are conditional on the Company Scheme Resolutions being approved.

(b) Company Scheme Meeting

The Company Scheme Meeting will only consider the Company Scheme Resolutions, which seek ALE Securityholders' approval (in their capacity as holders of Company Shares) of the Company Scheme and of the Unstapling. The Company Scheme Resolutions are conditional upon the Trust Scheme Resolutions being approved.

Please see Section 4.5 for further details on the Scheme Resolutions.

HOW TO VOTE

Your entitlement to vote at the Scheme Meetings will be taken to be the entitlement of that person shown on the ALE Register as at 7.00 pm (Sydney time) on Tuesday, 30 November 2021, unless in respect of the Scheme Resolutions, a voting exclusion applies to you.

Voting/proxy forms and powers of attorney must be lodged by 11.00 am (Sydney time) on Tuesday, 30 November 2021.

As an ALE 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 Scheme Resolutions.

As a result of the potential health risks associated with large gatherings and the ongoing COVID-19 pandemic, the Scheme Meetings will be virtual (online only). There will not be a physical meeting where ALE Securityholders or their proxies, attorneys or corporate representatives can attend in person.

How to attend and participate in the Scheme Meetings

ALE Securityholders and proxy holders can watch, vote, make comments and ask questions during the Scheme Meetings via the online platform at:

<https://meetings.linkgroup.com/LEPSM>

To do this you will need a computer or mobile/tablet device with internet access.

ALE Securityholders: When you log onto the online platform, you will need to provide your details (including SRN/HIN and postcode) to be verified as an ALE Securityholder. ALE Securityholders with a registered address outside Australia should click 'Outside Australia' and select the county of their registered address.

Proxyholders: when you log onto the online platform, you will need your 'Proxy Number' which will be provided to you by Link Market Services by email before the Scheme Meetings.

More information about how to use the Scheme Meetings online platform is available in the Virtual Meeting Online Guide, which is available upon logging into the online platform and at www.alegroup.com.au/Scheme.

Other options for voting

ALE Securityholders who are unable to join the Scheme Meetings are encouraged to cast a direct vote prior to the meeting, or alternatively, to appoint a proxy to participate and vote on your behalf. If you direct your proxy how to vote, your votes will be cast at the Scheme Meetings in accordance with your directions.

ALE Securityholders can cast their direct vote or appoint a proxy online at www.linkmarketservices.com.au or by following the instructions on the voting/proxy Form. These must be submitted by no later than 11.00 am (Sydney time) on Tuesday 30 November 2021 to be valid.

Even if you plan to participate in the meeting online, you are still encouraged to cast a direct vote or submit a directed proxy in advance of the meeting so that your votes can still be counted if, for any reason, you cannot participate online on the day.

If you cast a direct vote prior to the Scheme Meetings you may still attend the Scheme Meetings online. If you attend the Scheme Meetings online, your direct vote will not be cancelled unless you cast a direct vote live during the Scheme Meetings. If an ALE Securityholder casts a direct vote live during the Scheme Meetings on a particular resolution, they are taken to have revoked the authority of a proxy, attorney or representative to vote on their behalf on that resolution under an instrument of appointment received by ALE Group before registering online for direct voting.

Corporations

An ALE Securityholder or proxyholder that is a body corporate may appoint a representative to attend and vote for them at the Scheme Meetings and will be required to provide, prior to the Scheme Meetings, the appropriate "Certificate of Appointment of Corporate Representative" to evidence the appointment of the corporate representative. A form of the certificate may be obtained from the Registry.

Voting by attorney

You may appoint an attorney to attend and vote at the Scheme Meetings on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by ALE, at its registered office by 11.00 am (Sydney time) on Tuesday 30 November 2021, unless it has been previously provided to ALE.

If it becomes necessary to give further updates about the Scheme Meetings, information will be lodged with ASX and posted on ALE's website at (www.alegroup.com.au).

Please see the Notice of Scheme Meetings in Annexure D for further details on voting procedures and details of the Scheme Resolutions to be voted on at the Scheme Meetings.

What should you do in relation to the Schemes?

3.3 Step 3: Make an Election

NOTE: IF A VALID ELECTION IS NOT MADE BY AN ALE SCHEME SECURITYHOLDER, OR NO ELECTION IS MADE BY AN ALE SCHEME SECURITYHOLDER, THEN THAT ALE SCHEME SECURITYHOLDER WILL BE DEEMED TO HAVE ELECTED TO RECEIVE MIXED CONSIDERATION IN RESPECT OF ALL OF THEIR ALE SCHEME SECURITIES.

To make an Election, ALE Securityholders will need to complete the election form that is enclosed with this Scheme Booklet and return it in the manner indicated on the form, so that it is received by the ALE Registry prior to the Election Date of 5.00 pm (Sydney time) on Thursday, 25 November .

Once made, an Election made by an ALE Securityholder, whether valid or not, will be irrevocable unless ALE Group and Consortium Acquirer in their discretion agree to the revocation of the Election.

An Election made or deemed to be made by an ALE Scheme Securityholder will be deemed to apply in respect of the ALE Scheme Securityholder's entire registered holding of ALE Scheme Securities at the Record Date, regardless of whether the ALE Scheme Securityholder's holding of ALE Scheme Securities at the Record Date is greater or less than the ALE Scheme Securityholder's holding at the time it made its Election.

ALE Securityholders who are Ineligible Foreign Securityholders may make an Election but CLW Securities will not be issued to them. Instead, the Sale Agent will sell those new CLW Securities through the Sale Facility and the Ineligible Foreign Securityholder will receive the net proceeds of any sale in cash (after deducting any applicable taxes, duty, currency conversion or other costs and charges). Further information on the Sale Facility is contained in Section 4.3(g).

Please see Section 4.4 for further details on how to make an Election.

4. Overview of the Proposal

4.1 What is the Proposal?

The Proposal is for Consortium Acquirer to acquire all of the ALE Scheme Units, and for Consortium Acquirer Nominee to acquire all the ALE Scheme Shares pursuant to the Schemes. On 20 September 2021, ALE announced that it entered into the Scheme Implementation Deed in relation to the Schemes.

There are two Schemes because ALE Securities comprise a Company Share stapled to a Trust Unit, requiring the Proposal to be implemented by the following two interdependent Schemes:

- (a) the **Company Scheme**, being the scheme of arrangement between ALE and ALE Securityholders (as holders of Company Shares) for the transfer of all of the ALE Scheme Shares to Consortium Acquirer Nominee; and
- (b) the **Trust Scheme**, being a scheme of arrangement under which all of the ALE Scheme Units will be transferred to Consortium Acquirer, facilitated by an amendment to the ALE Trust Constitution as set out in the Supplemental Deed.

For the Schemes to proceed, ALE Securityholders must vote in favour of the Schemes by the requisite majorities of ALE Securityholders at the Scheme Meetings and the Company Scheme must be approved by the Court. The Schemes are also subject to the satisfaction or waiver (where capable of waiver) of the other Conditions Precedent described in Section 4.2.

If the Schemes become Effective and are implemented then:

- (a) Consortium Acquirer will acquire all of the ALE Scheme Units, and Consortium Acquirer Nominee will acquire all of the ALE Scheme Shares;
- (b) ALE Scheme Securityholders will receive in accordance with their Election (or deemed Election) either:²¹
 - (i) Mixed Consideration, being \$3.673 cash and 0.4080 CLW Securities for each ALE Security held at the Record Date (on the terms as described in Section 4.3(b));
 - (ii) Maximum Cash Consideration (on the terms, including the Scaleback Arrangements, as described in Section 4.3(c)); or
 - (iii) Maximum Scrip Consideration (on the terms, including Scaleback Arrangements, as described in Section 4.3(d));in each case, less the Permitted Distribution Amount (if any);
- (c) to the extent an ALE Scheme Securityholder has not made an Election by the Election Date (expected to be 5.00 pm (Sydney time) on Thursday, 25 November) or has made an invalid Election or becomes an ALE Securityholder after the Election Date, they will be deemed to have elected the Mixed Consideration;
- (d) ALE Scheme Securityholders will become entitled to receive the Scheme Consideration which they have elected, or been deemed to have elected, subject to the terms of the Scaleback Arrangements;
- (e) if the Schemes are implemented, new CLW Securities issued to ALE Scheme Securityholders under the Schemes will rank equally with all other CLW Securities on issue from their date of issue; and
- (f) Ineligible Foreign Securityholders will be deemed to make a valid Election to receive Mixed Consideration. However, new CLW Securities will not be issued to Ineligible Foreign Securityholders. Instead, Consortium Acquirer must procure that those new CLW Securities to which the Ineligible Foreign Securityholder may otherwise have been entitled, are issued to the Sale Agent and sold pursuant to the Sale Facility described in Section 4.3(g).

Once made, any Election will be irrevocable.

ALE Securityholders should note that the provision of Scheme Consideration, including any Scaleback Arrangements for Maximum Cash Consideration or Maximum Scrip Consideration, will be based on a fixed price for CLW Securities (being \$4.92 per CLW Security) (**CLW Reference Price**). For example, to the extent

²¹ In this Scheme Booklet:

- references to the Mixed Consideration of \$3.673 cash and 0.4080 CLW Securities for each ALE Security held at the Record Date are rounded to three decimal places and four decimal places respectively; and
- references to Maximum Cash Consideration of \$5.681 per ALE Security and Maximum Scrip Consideration of 1.1546 CLW Securities per ALE Security are rounded to three decimal places and four decimal places respectively.

Accordingly, the actual calculation of values of Scheme Consideration is subject to the effect of rounding.

Overview of the Proposal

an ALE Scheme Securityholder who selects Maximum Cash Consideration is subject to the Scaleback Arrangements, the component of the Scheme Consideration which cannot be satisfied in cash will be satisfied with CLW Securities and the number of CLW Securities to which the ALE Scheme Securityholder is entitled will be calculated in accordance with the CLW Reference Price. To the extent that CLW Securities trade below or above the CLW Reference Price, ALE Securityholders may wish to take this into account in making their Elections as the implied value of the Scheme Consideration is impacted by the value of CLW Securities. As at 26 October 2021, being the last practicable date prior to the date of this Scheme Booklet, the closing price of CLW Securities was \$4.97. Prior to the Scheme Meetings, ALE Group intends, to the extent it considers appropriate, to provide an update to ALE Securityholders on the interim results of Elections (which results will not be made final prior to the Election Date (anticipated to be 5.00 pm (Sydney time) on Thursday, 25 November).

ALE Scheme Securityholders are expected to comprise approximately 11.4% of the securityholders in CLW, based on the number of CLW Securities on issue as at the date of this Scheme Booklet.²²

4.2 Conditions Precedent to implementation of the Schemes

The implementation of the Proposal is subject to the satisfaction or waiver (where applicable) of a number of Conditions Precedents customary for a transaction of this nature, including:

- (a) approval of the Scheme Resolutions at the Scheme Meetings;
- (b) the receipt of the First Judicial Advice and the Second Juridical Advice; and
- (c) certain regulatory approvals.

A summary of the Conditions Precedent is included in Section 13.5(a) and the Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Deed, a full copy of which is attached to ALE Group's ASX Announcement on 20 September 2021, which can be obtained from the ASX website (www.asx.com.au) or ALE's website (www.alegroup.com.au).

4.3 Details of the Scheme Consideration

- (a) Under the Schemes, ALE Securityholders (other than Ineligible Foreign Securityholders) may elect to receive one of three alternatives: Mixed Consideration, Maximum Cash Consideration or Maximum Scrip Consideration. The scrip consideration will take the form of new CLW Securities. To receive the Scheme Consideration, you must hold ALE Securities at the Record Date.

(b) Mixed Consideration

ALE Securityholders may elect to receive, and, in the absence of any Election each ALE Scheme Securityholder will be deemed to have elected to receive, the Mixed Consideration, being:

- (i) a cash amount equal to \$3.673 less the Permitted Distribution Amount (if any); and
- (ii) 0.4080 new CLW Securities,

for each ALE Security held by that ALE Securityholder on the Record Date.²³

The Mixed Consideration will be reduced by the amount of any Permitted Distribution Amount to which ALE Securityholders become entitled (refer to Section 4.3(e)).

Ineligible Foreign Securityholders should note that if they elect (or are deemed to elect) Mixed Consideration they will not receive any new CLW Securities. Instead they will participate in the Sale Facility described in Section 4.3(g) and receive cash instead of the new CLW Securities that they would have otherwise received.

ALE Scheme Securityholders will not receive any fractions of new CLW Securities or any fractions of cents as part of their Scheme Consideration. Any cash amount payable to an ALE Scheme Securityholder will be rounded up or down to the nearest whole cent and any entitlement to a

²² Assuming that there are 200,582,312 ALE Securities on issue and that no ALE Scheme Securityholders are Ineligible Scheme Securityholders.

²³ References to the Mixed Consideration of \$3.673 cash and 0.4080 CLW Securities for each ALE Security held at the Record Date are rounded to three decimal places and four decimal places respectively. The actual calculation of Mixed Consideration is subject to the effect of rounding.

fraction of a new CLW Security will be rounded up or down to the nearest whole number of new CLW Securities. See Section 12.6 for further information on fractional entitlements and rounding.

(c) Maximum Cash Consideration

ALE Securityholders may elect to receive the Maximum Cash Consideration. This allows ALE Securityholders to elect to receive more of the cash component and less of the scrip component than under the Mixed Consideration.

If an ALE Scheme Securityholder elects to receive Maximum Cash Consideration, the ALE Scheme Securityholder will be entitled to receive \$5.681 per ALE Security, unless the Maximum Cash Consideration is subject to Scaleback Arrangements.

The Maximum Cash Consideration will be reduced by the amount of any Permitted Distribution Amount to which ALE Securityholders become entitled (refer to Section 4.3(e)).

The Maximum Cash Consideration will be subject to Scaleback Arrangements if the Available Cash Consideration is less than the Total Cash Election Amount.

If Scaleback Arrangements apply to the ALE Scheme Securityholders who elect Maximum Cash Consideration, the relevant ALE Scheme Securityholders will receive:

- (i) a cash amount equal to:

$$\$n = \frac{(A - AC)}{(T - AC)} \times 5.681^{24}$$

and

- (ii) a number of issued CLW Securities equal to:

$$n_{CLW} = \frac{(5.681^{25} - \$n)}{4.92}$$

where:

A	=	the Available Cash Consideration;
AC	=	the aggregate cash component of Scheme Consideration payable to all ALE Scheme Securityholders who have elected or are deemed to have elected to receive Mixed Consideration;
T	=	the Total Cash Election Amount;
\$n	=	an amount in Australian dollars to which the relevant ALE Scheme Securityholder is entitled; and
n_{CLW}	=	the number of CLW Securities to which the relevant ALE Scheme Securityholder is entitled,

in each case, less the Permitted Distribution Amount (if any).

Any fraction of a cent or of a new CLW Security after applying the foregoing principles to an ALE Scheme Securityholder's total holding will be dealt with as outlined in Section 12.6.

(d) Maximum Scrip Consideration

ALE Securityholders may elect to receive the Maximum Scrip Consideration. This allows ALE Securityholders to elect to receive less of the cash component and more of the scrip component than under the Mixed Consideration.

24 Less the Permitted Distribution Amount (if any). Rounded to three decimal places. The actual calculation of Maximum Cash Consideration is subject to the effect of rounding.

25 Less the Permitted Distribution Amount (if any). Rounded to three decimal places. The actual calculation of Maximum Cash Consideration is subject to the effect of rounding.

Overview of the Proposal

If an ALE Scheme Securityholder elects to receive Maximum Scrip Consideration then, the ALE Scheme Securityholder will be entitled to receive 1.1546 CLW Securities per ALE Security, unless the Maximum Scrip Consideration is subject to Scaleback Arrangements.

The Maximum Scrip Consideration will be reduced by the amount of any Permitted Distribution Amount to which ALE Securityholders become entitled (refer to Section 4.3(e)).

The Maximum Scrip Consideration will be subject to Scaleback Arrangements if the Available Scrip Consideration is less than the Total Scrip Election Amount.

If Scaleback Arrangements apply to the ALE Scheme Securityholders who elect Maximum Scrip Consideration, the relevant ALE Scheme Securityholders will receive:

- (i) a number of CLW Securities equal to:

$$n\text{CLW} = \frac{(A - \text{AS})}{(T - \text{AS})} \times 1.1546^{26}$$

and

- (ii) a cash amount equal to:

$$\$n = (1.1546^{27} - n\text{CLW}) \times 4.92$$

where:

nCLW	=	the number of CLW Securities to which the relevant ALE Scheme Securityholder is entitled;
\$n	=	an amount in Australian dollars to which the relevant ALE Scheme Securityholder is entitled;
A	=	the Available Scrip Consideration;
T	=	the Total Scrip Election Amount; and
AS	=	the aggregate number of CLW Securities that are the subject of Elections by all ALE Scheme Securityholders who have elected or are deemed to have elected to receive Mixed Consideration,

in each case, less the Permitted Distribution Amount (if any).

Any fraction of a cent or of a new CLW Security after applying the foregoing principles to an ALE Scheme Securityholder's total holding will be dealt with as outlined in Section 12.6.

(e) Effect of Permitted Distribution on Scheme Consideration

The Scheme Consideration will be reduced by the amount of any Permitted Distribution Amount to which ALE Securityholders become entitled.

Whilst it is currently expected that the Schemes will become Effective and are implemented in December 2021, in the event that there is an unforeseen delay in the timetable, ALE will be entitled to pay a distribution, and the ALE Securityholders who are on the ALE Register on 31 December 2021 will receive a distribution from ALE, in respect of the quarterly period ended 31 December 2021. In such a case, any such distribution will be a Permitted Distribution and the Scheme Consideration will be reduced by the value of such Permitted Distribution. The current expectation is that ALE's distribution for the December quarter would be paid on or about 15 February 2022.

²⁶ Less the Permitted Distribution Amount (if any), calculated in accordance with the ratio: 1 cent distributed is equal to 0.00203252032520 CLW Securities. Rounded to four decimal places. The actual calculation of Maximum Scrip Consideration is subject to the effect of rounding.

²⁷ Less the Permitted Distribution Amount (if any), calculated in accordance with the ratio: 1 cent distributed is equal to 0.00203252032520 CLW Securities. Rounded to four decimal places. The actual calculation of Maximum Scrip Consideration is subject to the effect of rounding.

A reduction in the Scheme Consideration will be effected:

- (i) in the case of the Maximum Cash Consideration and the Mixed Consideration, as a reduction in the cash component of the Scheme Consideration by the Permitted Distribution Amount; and
- (ii) in the case of the Maximum Scrip Consideration, as a reduction in the number of CLW Securities to be issued in accordance with the ratio: 1 cent distributed is equal to 0.00203252032520 CLW Securities.

(f) Ineligible Foreign Securityholders

Each Ineligible Foreign Securityholder is deemed to make a valid Election to receive Mixed Consideration.

However, new CLW Securities will not be issued to Ineligible Foreign Securityholders. Instead, Consortium Acquirer must procure that those new CLW Securities to which the Ineligible Foreign Securityholder may otherwise have been entitled, are issued to the Sale Agent and sold pursuant to the Sale Facility described in Section 4.3(g).

(g) Sale Facility

CLW Securities that would have otherwise been provided or caused to be provided to Ineligible Foreign Securityholders on the Implementation Date (each a **Sale Security**) will be provided (or caused to be provided) by Consortium Acquirer to the Sale Agent, on the Implementation Date.

ALE and Consortium Acquirer must procure that as soon as practicable after the Implementation Date and, in any event, not more than 10 Business Days after the Implementation Date, the Sale Agent sells or procures the sale of all of the Sale Securities in the ordinary course of trading on ASX in such manner, at such price or prices and on such other terms as the Sale Agent determines in good faith, and remits to ALE the proceeds of the sale (**Gross Proceeds**).

Promptly after receiving the Gross Proceeds, ALE must pay, or procure the payment, to each Ineligible Foreign Securityholder, in accordance with the payment mechanics for cash consideration as set out in Section 12.6, an amount equal to the following:

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

Where:

A	=	the amount to be paid to each Ineligible Foreign Securityholder;
B	=	the Gross Proceeds (less any applicable brokerage, taxes and other costs and charges);
C	=	the total number of Sale Securities provided to the Sale Agent; and
D	=	the number of Sale Securities provided to the Sale Agent in respect of that Ineligible Foreign Securityholder.

As the market price of CLW Securities will be subject to change from time to time, the sale price of those new CLW Securities sold through the Sale Facility and the proceeds of that sale cannot be guaranteed. The proceeds received by ALE Scheme Securityholders who participate in the Sale Facility will depend on the price at which the CLW Securities can be sold under the Sale Facility at the relevant time, applicable exchange rates (if sales are made in a currency other than Australian dollars) and the amount of any applicable taxes, duty, currency conversion or other costs and charges incurred by the Sale Agent in connection with sales under the Sale Facility. An ALE Scheme Securityholder's pro rata share of the proceeds of sale under the Sale Facility may be more or less than the value of the new CLW Securities that the ALE Scheme Securityholder would have received.

None of ALE, Consortium Acquirer or the Sale Agent gives any assurance as to the price that will be achieved for the sale of new CLW Securities by the Sale Agent under the Sale Facility.

No brokerage will be payable in respect of Sale Securities participating in the Sale Facility.

In providing services to Consortium Acquirer in connection with the Sale Facility and the sale of Sale Securities, the Sale Agent is not acting as agent or sub agent of any Ineligible Foreign Securityholder, does not have any duties or obligations (fiduciary or otherwise) to any Ineligible Foreign Securityholder

Overview of the Proposal

and does not underwrite the sale of any Sale Securities. Any Sale Agent who is appointed, together with its affiliates, will be a full service financial institution engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

Further information on the market price of CLW Securities is available at www.asx.com.au (ticker CLW).

(h) Worked examples

The tables below illustrate the potential Election outcomes for ALE Securityholders who make an Election to receive Maximum Cash Consideration or Maximum Scrip Consideration depending on the total Elections made by other ALE Securityholders. In accordance with the operations of the Sale Facility as described in Section 4.3(g) the outcome for Ineligible Foreign Securityholders will differ to the numbers in the tables below. The numbers in the tables below are approximate and have been rounded to three decimal points for cash consideration and four decimal points for scrip consideration.

For the avoidance of doubt, ALE Scheme Securityholders who make (or are deemed to have made) an Election to receive Mixed Consideration will receive \$3.673 plus 0.4080 new CLW Securities for every ALE Security held.

Figure 1: Consideration received by ALE Scheme Securityholders who elect Maximum Cash Consideration²⁸

		% of ALE Securityholders electing Maximum Cash Consideration										
		1%	10%	20%	30%	40%	50%	60%	70%	80%	90%	99%
% of ALE Securityholders electing Maximum Scrip Consideration	1%	\$5.681	\$4.041 & 0.3334x CLW Securities	\$3.857 & 0.3707x CLW Securities	\$3.796 & 0.3832x CLW Securities	\$3.765 & 0.3894x CLW Securities	\$3.747 & 0.3931x CLW Securities	\$3.734 & 0.3956x CLW Securities	\$3.726 & 0.3974x CLW Securities	\$3.719 & 0.3987x CLW Securities	\$3.714 & 0.3997x CLW Securities	\$3.710 & 0.4005x CLW Securities
	10%	\$5.681	\$5.681	\$5.510 & 0.0347x CLW Securities	\$4.898 & 0.1592x CLW Securities	\$4.592 & 0.2214x CLW Securities	\$4.408 & 0.2587x CLW Securities	\$4.285 & 0.2836x CLW Securities	\$4.198 & 0.3014x CLW Securities	\$4.132 & 0.3147x CLW Securities	\$4.081 & 0.3251x CLW Securities	
	20%	\$5.681	\$5.681	\$5.681	\$5.681	\$5.510 & 0.0347x CLW Securities	\$5.142 & 0.1094x CLW Securities	\$4.898 & 0.1592x CLW Securities	\$4.723 & 0.1947x CLW Securities	\$4.592 & 0.2214x CLW Securities		
	30%	\$5.681	\$5.681	\$5.681	\$5.681	\$5.681	\$5.681	\$5.510 & 0.0347x CLW Securities	\$5.247 & 0.0881x CLW Securities			
	40%	\$5.681	\$5.681	\$5.681	\$5.681	\$5.681	\$5.681	\$5.681				
	50%	\$5.681	\$5.681	\$5.681	\$5.681	\$5.681	\$5.681					
	60%	\$5.681	\$5.681	\$5.681	\$5.681	\$5.681						
	70%	\$5.681	\$5.681	\$5.681	\$5.681							
	80%	\$5.681	\$5.681	\$5.681								
	90%	\$5.681	\$5.681									
	99%	\$5.681										

²⁸ Figures rounded to three decimal places for cash consideration and four decimal places for scrip consideration. Any fraction of a cent or of a new CLW Security will be dealt with as outlined in Section 12.6.

For example, if 30% of ALE Securityholders elect to receive Maximum Cash Consideration and 10% of ALE Securityholders elect to receive Maximum Scrip Consideration (with all other ALE Securityholders electing or being deemed to have elected Mixed Consideration), then an ALE Scheme Securityholder who elected to receive Maximum Cash Consideration will receive \$4.898 and 0.1592 CLW Securities per ALE Security they hold.

Figure 2: Consideration received by ALE Scheme Securityholders who elect Maximum Scrip Consideration²⁹

		% of ALE Securityholders electing Maximum Cash Consideration										
		1%	10%	20%	30%	40%	50%	60%	70%	80%	90%	99%
% of ALE Securityholders electing Maximum Scrip Consideration	1%	\$1.666 & 0.8161x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities
	10%	\$3.472 & 0.4488x CLW Securities	\$1.666 & 0.8161x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	
	20%	\$3.573 & 0.4284x CLW Securities	\$2.669 & 0.6121x CLW Securities	\$1.666 & 0.8161x CLW Securities	\$0.662 & 1.0201x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities		
	30%	\$3.606 & 0.4216x CLW Securities	\$3.004 & 0.5441x CLW Securities	\$2.335 & 0.6801x CLW Securities	\$1.666 & 0.8161x CLW Securities	\$0.996 & 0.9521x CLW Securities	\$0.327 & 1.0881x CLW Securities	1.1546x CLW Securities	1.1546x CLW Securities			
	40%	\$3.623 & 0.4182x CLW Securities	\$3.171 & 0.5100x CLW Securities	\$2.669 & 0.6121x CLW Securities	\$2.168 & 0.7141x CLW Securities	\$1.666 & 0.8161x CLW Securities	\$1.164 & 0.9181x CLW Securities	\$0.662 & 1.0201x CLW Securities				
	50%	\$3.633 & 0.4162x CLW Securities	\$3.272 & 0.4896x CLW Securities	\$2.870 & 0.5713x CLW Securities	\$2.469 & 0.6529x CLW Securities	\$2.067 & 0.7345x CLW Securities	\$1.666 & 0.8161x CLW Securities					
	60%	\$3.640 & 0.4148x CLW Securities	\$3.339 & 0.4760x CLW Securities	\$3.004 & 0.5441x CLW Securities	\$2.669 & 0.6121x CLW Securities	\$2.335 & 0.6801x CLW Securities						
	70%	\$3.645 & 0.4139x CLW Securities	\$3.386 & 0.4663x CLW Securities	\$3.100 & 0.5246x CLW Securities	\$2.813 & 0.5829x CLW Securities							
	80%	\$3.648 & 0.4131x CLW Securities	\$3.422 & 0.4590x CLW Securities	\$3.171 & 0.5100x CLW Securities								
	90%	\$3.651 & 0.4126x CLW Securities	\$3.450 & 0.4534x CLW Securities									
99%	\$3.653 & 0.4122x CLW Securities											

For example, if 30% of ALE Securityholders elect to receive Maximum Cash Consideration and 10% of ALE Securityholders elect to receive Maximum Scrip Consideration (with all other ALE Securityholders electing or being deemed to have elected Mixed Consideration), then an ALE Scheme Securityholder who elected to receive Maximum Scrip Consideration will receive 1.1546 CLW Securities per ALE Security they hold.

²⁹ Figures rounded to three decimal places for cash consideration and four decimal places for scrip consideration. Any fraction of a cent or of a new CLW Security will be dealt with as outlined in Section 12.6.

Overview of the Proposal

4.4 How to make an Election

ALE Securityholders (other than Ineligible Foreign Securityholders) may elect (by completing the relevant part of the Election Form) to receive:

- (a) the Mixed Consideration (refer to Section 4.3(b));
- (b) the Maximum Cash Consideration (refer to Section 4.3(c)); or
- (c) the Maximum Scrip Consideration (refer to Section 4.3(d)),

for all of their ALE Scheme Securities (**Election**).

For an Election to be valid:

- (a) ALE Securityholders will need to complete the election form that is enclosed with this Scheme Booklet and return it in accordance with the terms of this Scheme Booklet, instructions indicated and the terms and conditions on the Election Form; and
- (b) the Election Form must be received by the ALE Registry prior to the Election Date of 5.00 pm (Sydney time) on Thursday, 25 November.

An Election made by an ALE Securityholder, whether valid or not, will be irrevocable unless ALE Group and Consortium Acquirer in their discretion agree to the revocation of the Election (such discretion to be exercised fairly and equitably having regard to the circumstances at the time).

If a valid Election is not made by an ALE Scheme Securityholder, or no Election is made by an ALE Scheme Securityholder, then that ALE Scheme Securityholder will be deemed to have elected to receive Mixed Consideration in respect of all of their ALE Scheme Securities.

An Election made or deemed to be made by an ALE Scheme Securityholder will be deemed to apply in respect of the ALE Scheme Securityholder's entire registered holding of ALE Scheme Securities at the Record Date, regardless of whether the ALE Scheme Securityholder's holding of ALE Scheme Securities at the Record Date is greater or less than the ALE Scheme Securityholder's holding at the time it made its Election.

If a valid Election is made by an ALE Scheme Securityholder in respect of only some of its ALE Scheme Securities, and makes no Election or an invalid Election in respect of the remainder of its ALE Scheme Securities, the ALE Scheme Securityholder will be deemed to have elected to receive its elected form of Scheme Consideration in respect of all of its ALE Scheme Securities and not only those ALE Scheme Securities for which the ALE Scheme Securityholder made a valid Election.

An ALE Scheme Securityholder who is noted on the ALE Register as holding one or more parcels of ALE Securities as trustee or nominee for, or otherwise on account of, another person, may in the manner considered appropriate by ALE Group and Consortium Acquirer (acting reasonably including after consultation with the ALE Registry), make separate Elections in relation to each of those parcels of ALE Securities (subject to it providing to ALE Group and Consortium Acquirer any substantiating information they reasonably require), and an Election made in respect of any such parcel, or an omission to make an Election in respect of any such parcel, will not be taken to extend to the other parcels.

4.5 ALE Securityholders' approvals and requisite voting majorities

(a) Trust Scheme

ALE Securityholders must approve:

- (i) a special resolution to approve amendments to the ALE Trust Constitution (to authorise all actions necessary or desirable for the implementation of the Trust Scheme and the transfer of Trust Units to Consortium Acquirer) as set out in the Supplemental Deed and to authorise ALE to execute and lodge with ASIC the Supplemental Deed to give effect to those amendments. The amendments are set out in Annexure E. This resolution must be approved by a special resolution, which requires approval by at least 75% of the votes cast on the resolution at the Trust Scheme Meeting by ALE Securityholders entitled to vote on that resolution;
- (ii) an ordinary resolution of holders of Trust Units to approve the Unstapling on the Implementation Date. The resolution must be approved by an ordinary resolution, which requires approval by at least 50% of the votes cast on the resolution at the Trust Scheme Meeting by ALE Securityholders entitled to vote on that resolution; and
- (iii) an ordinary resolution for the purpose of item 7 of section 611 of the Corporations Act to approve the acquisition by Consortium Acquirer of all of the Trust Units as part of the Trust Scheme. The resolution must be approved by an ordinary resolution, which requires approval by at least 50% of the votes cast on the resolution at the Trust Scheme Meeting by ALE Securityholders entitled to vote on that resolution.

(b) Company Scheme

ALE Securityholders must approve:

- (i) the acquisition by Consortium Acquirer of all of the Company Shares as part of the Company Scheme. The resolution must be approved by at least 50% of the total number of ALE Securityholders present and voting (either in person or by proxy), and at least 75% of the votes cast, on the resolution by ALE Securityholders entitled to vote on that resolution; and
- (ii) an ordinary resolution of holders of Company Shares to approve the Unstapling on the Implementation Date. The resolution must be approved by an ordinary resolution, which requires approval by at least 50% of the votes cast on the resolution at the Scheme Meeting by ALE Securityholders entitled to vote on that resolution.

4.6 Entitlement to vote at the Scheme Meetings

Subject to the voting restrictions set out in the Notice of Scheme Meetings, each ALE Securityholder who is on the ALE Register at 7.00 pm (Sydney time) on Tuesday, 30 November 2021 is entitled to attend and vote at the Scheme Meetings either in person, by direct vote, by proxy, by attorney or, in the case of a body corporate, by its corporate representative appointed in accordance with section 253B of the Corporations Act.

Voting at the Scheme Meetings will be by poll. Part 2G.4 Division 6 of the Corporations Act sets out the voting calculations to apply for the general meeting of a trust. In a resolution of ALE Trust determined by poll, each holder of Trust Units has one vote for each dollar of the value of the total interest held in ALE Trust. Part 2G.2 Division 7 of the Corporations Act sets out the voting calculations to apply for the general meetings of ALE. In a resolution of ALE determined by poll, each holder of Company Shares has one vote for each Company Share they hold.

Instructions on how to attend and vote at the Scheme Meetings are set out in Annexure D.

4.7 Court approval

If the Scheme Resolutions are approved by the requisite majorities of ALE Securityholders at the Scheme Meetings and all Conditions Precedent have been satisfied or waived (if applicable), ALE will apply to the Court to approve the Company Scheme and for the Second Judicial Advice in respect of the Trust Scheme.

Overview of the Proposal

4.8 Recommendation of the ALE Directors

The ALE Directors unanimously recommend that you vote in favour of the Scheme Resolutions, in the absence of a Superior Proposal or the Independent Expert changing its recommendation. See Section 1 for further details in this regard.

4.9 Independent Expert's conclusion

The Independent Expert has concluded that the Proposal is in the best interests of ALE Securityholders in the absence of a Superior Proposal.

ALE Securityholders should carefully review the Independent Expert's Report in its entirety. The Independent Expert's Report is included in Annexure A.

4.10 Tax implications

The tax implications of the Schemes will depend on your personal circumstances. A general outline of the main Australian income tax, GST and stamp duty implications of the Schemes for certain ALE Scheme Securityholders is set out in Section 11. This outline is general in nature so we recommend that you 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.

You should be aware that no capital gains tax roll-over relief will be available if the Proposal is approved. As no roll-over relief will be available, any capital gain or loss resulting from implementation of the Schemes will need to be taken into account in determining the net capital gain to be included in your assessable income even if you receive part or all of the Scheme Consideration as CLW Securities. For a trust acquisition, the roll-over relief in the tax law only applies if the trust which acquires your ALE Scheme Securities is the same trust which issues the replacement securities as Scheme Consideration. However, under the Consortium Acquirer's structure as described in Section 6.3, the Consortium Acquirer is a different trust to the trust which will issue the CLW Securities as the Scheme Consideration. Further information is provided in the taxation report at Section 11.

4.11 No brokerage or stamp duty

No brokerage or stamp duty will be payable by ALE Scheme Securityholders on the transfer of their ALE Scheme Units to Consortium Acquirer or their ALE Scheme Shares to Consortium Acquirer Nominee under the Schemes or the receipt by ALE Scheme Securityholders of the Scheme Consideration.

4.12 Implications if the Proposal is not approved

If any of the Scheme Resolutions are not approved, or any other Conditions Precedent are not satisfied or waived (if applicable), and the Proposal does not proceed:

- (a) ALE Group will remain listed on ASX;
- (b) the expected benefits of the Proposal will not be realised and the potential disadvantages and risks associated with the Proposal will not arise;
- (c) ALE Securityholders will retain their ALE Securities;
- (d) ALE Securityholders will not receive the Scheme Consideration,
- (e) the trading price of ALE's Securities on ASX may fall; and
- (f) the Break Fee of \$11 million may be payable by ALE to Consortium Acquirer in certain circumstances, however, those circumstances do not include the failure by the ALE Securityholders to pass the Scheme Resolutions.

Before the Scheme Meetings, ALE Group estimates that it will have incurred or committed one-off transaction costs of approximately \$2.63 million in relation to the Proposal. These costs have already been incurred or will be payable by ALE Group regardless of whether or not the Proposal is implemented.

5. Information about ALE Group

5.1 Business overview and history

ALE Group is an ASX-listed Australian Real Estate Investment Trust, trading under ASX code 'LEP', with a market capitalisation of \$1,123 million as at 26 October 2021, being the last practicable date prior to the date of this Scheme Booklet.

ALE Group is the owner of the largest portfolio of freehold pub properties. Established in November 2003, ALE Group owns a portfolio of 78 properties³⁰ across the five mainland states of Australia, valued at approximately \$1.2 billion as at 30 June 2021.

All the properties in the portfolio are leased to ALH, a wholly owned subsidiary of Endeavour Group, for an average remaining lease term as at 30 June 2021 of 7.5 years plus options for ALH to extend. Endeavour Group listed on ASX on 24 June 2021 (ASX: EDV), following the demerger from Woolworths Limited and is a top 50 ASX listed company. Endeavour Group was formed through a merger of Endeavour Drinks and ALH Group in February 2020, creating Australia's largest integrated drinks and hospitality business.

5.2 Portfolio strategy

ALE Group's current portfolio strategy is focused on the following three objectives:

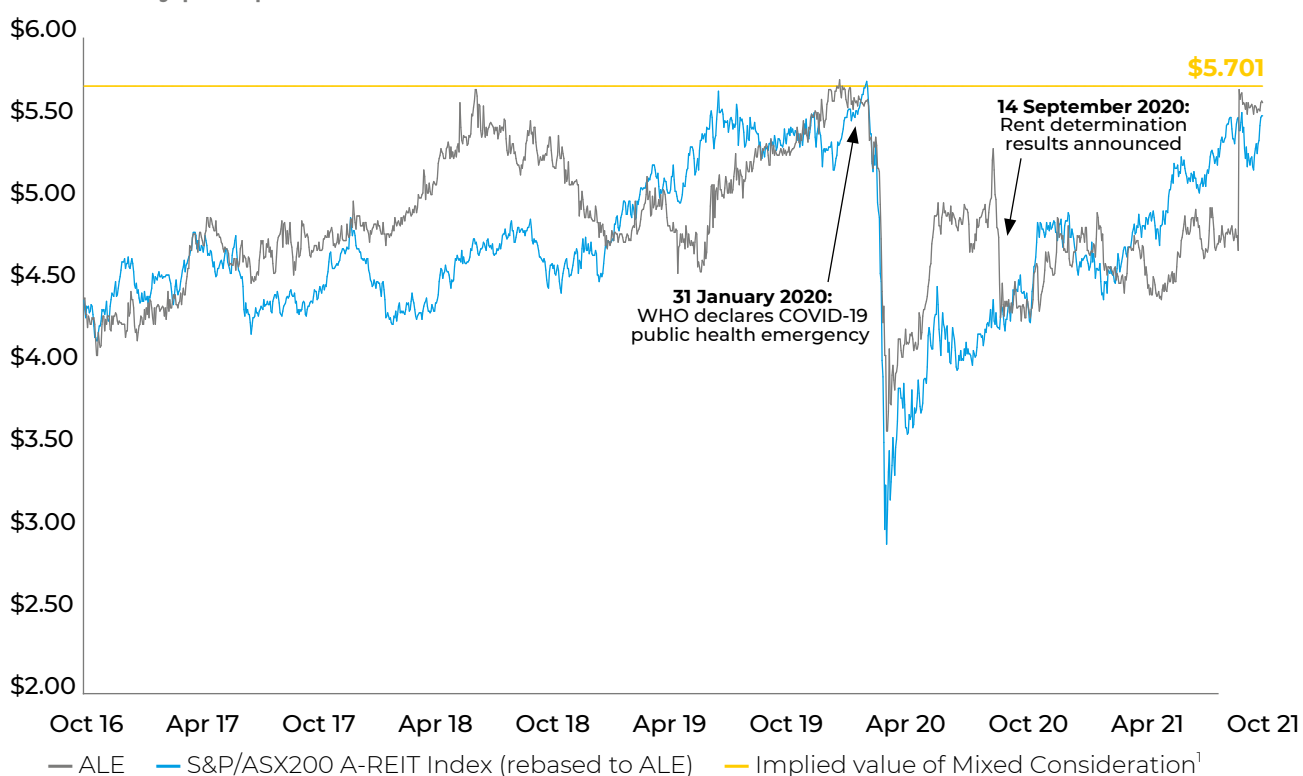
- work with Endeavour Group to assist the growth of its business, where it makes sense for ALE Securityholders;
- continue detailed periodic portfolio reviews to maximise returns and take advantage of opportunities created by the strong market and undertake strategic disposals, if appropriate; and
- consider new opportunities to enhance value for ALE Securityholders.

5.3 Security price performance

ALE Group listed on ASX in November 2003 at a security price of \$1.00.

The chart below illustrates ALE's security price performance over the last five years from 26 October 2016 to 26 October 2021, being the last practicable trading day before the date of this Scheme Booklet.

ALE Security price performance³¹



¹ Based on the closing price of CLW securities of \$4.97 as at 26 October 2021.

³⁰ Continuing portfolio, excluding properties held for divestment.

³¹ Source: Iress.

Information about ALE Group

5.4 Portfolio composition

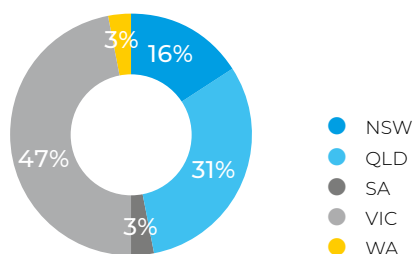
The key metrics of ALE Group property portfolio as at 30 June 2021, are outlined below³²:

Number of properties	78
Book value	\$1,225.4 m
Adopted passing yield	4.58%
WALE	7.5 years
Occupancy	100%

The portfolio is geographically diversified as outlined in the table and the chart below.

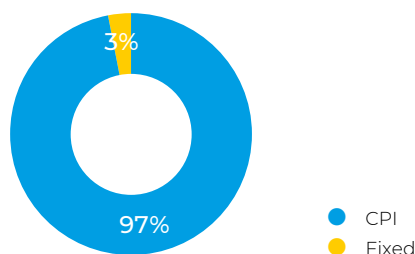
Geographic split by value

	June 2021 adopted passing yield	June 2021 adopted valuation (\$m)
New South Wales	4.31%	198.4
Queensland	4.38%	375.6
South Australia	4.95%	44.2
Victoria	4.69%	574.7
Western Australia	6.28%	32.5
Total	4.58%	1,225.4

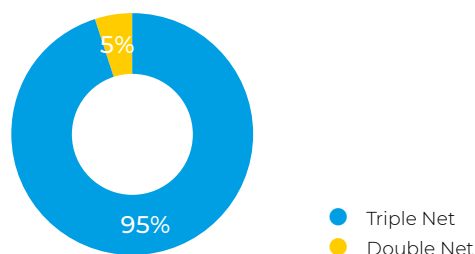


The portfolio benefits from attractive leases structures comprising predominantly Triple Net Leases and annual CPI rent reviews, as illustrated in the charts below.

Annual rent review type (by income)



Lease structure type (by income)



As at 30 June 2021, the portfolio has a WALE of 7.5 years with four 10-year options (at the tenant's discretion) to renew the leases³³. The next rent review (uncapped and uncollared) is in November 2028.

³² Continuing portfolio, excluding properties held for divestment.

³³ Non-standard leases do not all have four 10-year options for renewal.

5.5 Board of directors and management team

(a) Board of Directors

As at the date of this Scheme Booklet, the ALE Board of Directors comprises the following individuals.

(i) **Robert Mactier** (Independent Non-Executive Director, Chairman of the Board)

Robert is a Consultant to UBS AG in Australia (since June 2007). He is also a Non-Executive Director of ASX-listed Nuix Limited. Between 2006 and May 2021 he was a Non-Executive Director of ASX-listed WPP AUNZ Limited (having also served as Chair from 2008). Between 2006 and January 2017 he served as a Non-Executive Director of NASDAQ listed Melco Resorts and Entertainment Limited.

Robert began his career at KPMG and worked across their audit, management consulting and corporate finance practices from January 1986 to April 1990. He has extensive investment banking experience in Australia, having previously worked for Ord Minnett Securities, E.L. & C. Baillieu and Citigroup between 1990 and 2006.

Robert holds a Bachelor's degree in economics from the University of Sydney and has been a Member of the Australian Institute of Company Directors since 2007 and is a former member of the Institute of Chartered Accountants in Australia and New Zealand.

(ii) **Guy Farrands** (Managing Director)

Guy has over 30 years' experience in direct and listed property markets both in Australia and internationally. His career highlights include: Managing Director and CEO of GEO Property Group (subsequently Villa World Limited), CEO of Valad Property Group (departing prior to Valad's acquisition of Crownstone/Scarborough) and Chief Financial Officer of Viva Energy REIT. Prior to this, his roles included Division Director of the real estate division of Macquarie Bank's Investment Banking Group.

He is also a Non-Executive Director of affordable accommodation provider Aspen Group.

(iii) **Phillipa Downes** (Independent Non-Executive Director)

Pippa Downes is a respected Non-Executive Director with over 25 years of distinguished career achievements in the international business and finance sector. Pippa currently sits on the board of Zip Co Limited, Australian Technology Innovators Pty Ltd, Ingenia Communities Group and is a Commissioner of Sport Australia. Pippa is a former Director of the Sydney Olympic Park Authority, Windlab Limited, and of the ASX Clearing and Settlement companies and was a member of the ASX Disciplinary Tribunal.

Pippa has had a successful international banking and finance career and has led the local derivative and investment arms of several of the world's premier Investment Banks. Her most recent role was as a Managing Director and Equity Partner of Goldman Sachs in Australia. She is a member of the Australian Institute of Company Directors and Women Corporate Directors and in 2016 was named as one of the Westpac/AFR's 100 Women of Influence for her work in diversity. Pippa's long standing passion for diversity, sport and educational disadvantage has been focussed through her governance and fundraising work on not for profit entities such as The Pinnacle Foundation, Swimming Australia and the Swimming Australia Foundation.

She has a Master's in Applied Finance from Macquarie University and Bachelor of Science (Business Administration) from University of California, Berkeley. Pippa was a dual international athlete having been a member of the Australian Swim Team and represented Hong Kong at the International Rugby Sevens.

(iv) **Paul Say** (Independent Non-Executive Director)

Paul has over 35 years' experience in commercial and residential property management, development and real estate transactions with major multinational institutions. Paul was Chief Investment Officer at Dexus Property Group from 2007 to 2012. Prior to that he was with Lend Lease Corporation for 11 years in various positions culminating with being the Head of Corporate Finance. Paul is a director of Frasers Logistic & Industrial Trust (SGX listed), Cedar Wood Limited and was previously a director of GPT Metro Office Fund.

Information about ALE Group

Paul has a Graduate Diploma in Finance and Investment and a Graduate Diploma in Financial Planning. He is a Fellow of the Royal Institute of Chartered Surveyors, Fellow of the Australian Property Institute and a Licensed Real Estate Agent (NSW, VIC and QLD).

(v) **Nancy Milne** (Independent Non-Executive Director)

Nancy has been a professional non-executive director for over a decade. She is a former lawyer with over 30 years' experience with primary areas of legal expertise in insurance, risk management and corporate governance. She was a partner with Clayton Utz until 2003 and a consultant until 2012. She is currently Chairman of the Securities Exchange Guarantee Corporation, and Deputy Chairman of the State Insurance Regulatory Authority. She is also currently the Chair of the Accounting Professional and Ethical Standards Board. She was previously a director of Australand Property Group, Crowe Horwarth Australasia, FBR Limited, State Plus and Novion Property Group (now Vicinity Centres).

Nancy has a Bachelor of Laws from the University of Sydney. She is a Fellow of the Australian Institute of Company Directors.

(vi) **Michael Triguboff** (Non-Executive Director)

Michael is a founding Director of Adexum Capital Limited, a private equity company investing in both public and private mid-market companies.

Mr Triguboff has a background in equity funds management with groups including MIR and Lazard Asset Management Pacific, and Lazard Asia Funds. He was a global partner of Lazard Freres & Co. He was previously based in the USA and held positions with Quantum Funds and Equity Investments with a focus on principal investments in both public and private companies.

Michael's academic qualifications include: Bachelor of Arts from the University of Sydney, Bachelor of Laws from University of New South Wales, Master of Business Administration from New York University, Master of Business Systems from Monash University, Master of Computer Science from University of Illinois at Urbana – Champaign/Columbia University, and Master of Criminology and Master of Laws from University of Sydney.

Michael is nominated as an ALE Director by Caledonia (Private) Investments Pty Ltd.

(vii) **Bernard Stanton** (Non-Executive Director)

Bernard was most recently an Executive Director with the Caledonia funds management group from 2005 to June 2019.

Bernard has more than 40 years senior executive experience in Australia, USA, Europe and Asia.

Bernard holds a Bachelor's degree in Economics from La Trobe University and an MBA from Melbourne University.

Bernard is nominated as an ALE Director by Caledonia (Private) Investments Pty Ltd.

(b) Key management

As at the date of this Scheme Booklet, the senior management team of ALE comprises the following individuals.

(i) **Guy Farrands** (Managing Director)

As outlined above.

(ii) **Michael Clarke** (Company Secretary, Chief Financial Officer)

Michael joined ALE in October 2006 and was appointed Company Secretary on 30 June 2016. Michael has a Bachelor of Commerce from the University of New South Wales and a Masters of Management from the Macquarie Graduate School of Management. He is an associate member of both the Governance Institute of Australia and the Institute of Chartered Accountants in Australia and New Zealand.

Michael has over 30 years' experience in accounting, taxation and financial management. Michael previously held senior financial positions with subsidiaries of listed public companies and spent 12 years working for Grant Thornton. He has also owned and managed his own accounting practice.

5.6 Financial profile

Summarised in the table below is ALE Group's key financial performance for the last two full financial years.

	Financial year ending 30 June 2020	Financial year ending 30 June 2021
Statutory net profit	\$20.0 m	\$179.2 m
Distributable income	\$30.4 m	\$34.4 m
Distributable income per security	20.90 cents	21.50 cents
Value of investment properties	\$1,174.2 m	\$1,225.4 m ³⁴
NTA per security	\$2.98	\$3.71
Gearing	41.3%	36.4%

5.7 Material changes to ALE Group's financial position since last accounts published

Other than as disclosed in this Scheme Booklet, within the knowledge of the ALE Board, the financial position of ALE Group has not materially changed since 30 June 2021, being the date of the statement of financial position for the 12 months ending 30 June 2021.

5.8 Capital structure

At the date of this Scheme Booklet:

- ALE has 200,456,815 Company Shares on issue;
- ALE Trust has 200,456,815 Trust Units on issue;
- ALE has 125,497 ESSS Rights on issue³⁵; and
- ALE Trust has 9,080,010 NIVUS on issue.

The proposed treatment of the ESSS Rights and NIVUS as part of the implementation of the Schemes, as set out in the Scheme Implementation Deed, is further detailed in Sections 13.2 and 13.3.

³⁴ Continuing portfolio, excluding properties held for divestment.

³⁵ Inclusive of up to 33,731 ESSS Rights to be issued to Mr Guy Farrands subject to ALE Securityholder approval at the 2021 AGM.

Information about ALE Group

5.9 Capital management

ALE Group proactively staggers debt maturities, it continually monitors debt markets, actively seeks to maintain an investment grade credit rating and maintains relationships with diverse funding markets to maximise the opportunity for multiple funding options. ALE Group's key debt metrics are summarised in the table below.

	30 June 2020	30 June 2021
Gross borrowings	\$556.7 m	\$543.1 m
Cash	(\$39.6 m)	(\$43.6 m)
Net borrowings	\$511.8 m	\$497.3 m
Covenant gearing	41.3%	36.4%
Weighted average facility term	2.4 years	2.5 years
Weighted average cost of debt	4.1%	3.5%
Covenant Interest cover ratio	2.6x	3.4x
Hedge cover	100.0%	98.0%
Weighted average hedge rate	3.5%	2.2%
Weighted average hedge term	5.4 yrs	4.4 yrs

ALE Group's debt profile is diversified by duration and source, as illustrated in the table below:

Debt facility	Issue rating	Face or indexed Value (\$m)	Facility Limit (\$m)	Base rate	Credit margin	All-in rate	Maturity	Remaining Term (Years) ³⁶
AMTN (Unsecured)	Baa2	150.0	\$150.0	2.5%	1.5%	4.0%	Aug-22	1.1
CIB (Secured)	AAA/Aaa	158.1	\$158.1	3.2%	0.2%	3.4%	Nov-23	2.4
AMTN (Unsecured)	Baa2	150.0	\$150.0	0.5%	1.9%	2.4%	Aug-24	3.4
Bank loans (Unsecured)		85.0	\$100.0	0.5%	2.5%	3.0%		2.7
Total		543.1	\$558.1	2.0%	1.5%	3.5%		2.4
Cash on Deposit		(43.6) ³⁷						
Total Net Debt		499.5						

³⁶ As at 30 June 2021.

³⁷ Cash balance includes \$9.9 million for debt service reserve security and \$2.0 million reserve for AFSL. Not all cash on deposit is available for the general businesses purposes of ALE.

5.10 Substantial Securityholders

The following persons have notified ALE Group of the fact that they hold a substantial holding (within the meaning of the Corporations Act) in ALE Securities as at 26 October 2021 (being the last practicable date prior to the date of this Scheme Booklet), based on substantial holder notice lodgements with ASX, which are available on the ASX website (www.asx.com.au).

ALE Securityholder	Number of Securities	% of issued capital
Caledonia (Private) Investments Pty Ltd	66,496,413	33.6% ³⁸
Endeavour Group Limited and the persons listed in the Form 604 lodged with ASX on 5 July 2021	17,845,446	8.9% ³⁹
UBS Group AG and the persons listed in the Form 604 lodged with ASX on 28 June 2021	16,146,007	8.1% ⁴⁰

5.11 Victorian litigation

On 11 September 2020, rent determinations (which determined the rent as at the relevant date in 2018) were issued by a determining valuer in relation to 19 of ALE's properties in Victoria.

On 19 October 2020, ALE commenced proceedings (as plaintiff) in the Supreme Court of Victoria seeking declarations that the 19 Victorian rent determinations were not made in accordance with the requirements of the rent review provisions of the relevant leases (*Victorian Litigation*).

Following the sale of three of the relevant properties, there were 16 properties which were the subject of the Victorian Litigation (the *Victorian Determinations*). The Victorian Litigation does not disturb the determinations made in relation to any other ALE properties.

The court delivered its judgment in the Victorian Litigation on 20 October 2021. The court decided that the 16 Victorian Determinations were not made in accordance with the leases, are not binding and must be done again.

The court held that:

- the valuer did not make an error in applying the valuation methodology in the leases. The leases adopt a subjective 'fair rent' test which entails fairness to both parties. It is appropriate for the valuer to take into account considerations relevant to market rent. It is open to the valuer to assess rent on the basis of a good average manager but it is not mandatory. The court also held that experts are given a considerable degree of latitude when they carry out a valuation in accordance with the terms of an agreement; and
- the valuer took into account a submission from the tenant relating to the tenant's EBITDA information which the valuer was not permitted to take into account. This departure from the requirements of the leases was significant and material and, as a consequence, the parties are not bound by the Victorian Determinations.

If rent determinations are undertaken in 2028, the decision provides guidance as to the application of the valuation methodology in the leases.

5.12 ALE Directors' intentions for the business

If the Schemes become Effective, the existing ALE Board will resign and the ALE Board will be reconstituted in accordance with the instructions of Consortium Acquirer after the Implementation Date. Accordingly, it is not possible for the ALE Directors to provide a statement of their intentions regarding:

- the continuation of the business of ALE Group or how ALE Group's existing business will be conducted;
- any major changes to be made to the business of ALE Group, including any redeployment of the fixed assets of ALE Group; or
- the future employment of the present employees of ALE Group,

in each case, after the Schemes are implemented.

³⁸ According to the most recent substantial holder filing provided to ASX on 18 September 2020, Caledonia also holds an interest in 15,055,438 ALE Securities (approximately 7.61%) via a cash settled equity swap. It does not control voting rights in these securities.

³⁹ As disclosed in a substantial holder notice lodged on 5 July 2021.

⁴⁰ As disclosed in a substantial holder notice lodged on 28 June 2021.

Information about ALE Group

If the Schemes are implemented, Consortium Acquirer (and Consortium Acquirer Nominee) will own and control all of the ALE Securities. The ALE Directors have been advised that the intentions of Consortium Acquirer with respect to these matters are as set out in Section 7.5.

If the Schemes are not implemented, the ALE Directors intend to continue to operate in the ordinary course of the business.

5.13 Continuous disclosure

ALE is a disclosing entity for the purposes of the Corporations Act and is subject to periodic reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require ALE to notify ASX of information about specified matters and events as they arise for the purpose of ASX making that information available to participants in the market.

Once ALE becomes aware of any information concerning it which a reasonable person would expect to have a material effect on the price or value of an ALE Security, ALE must (subject to limited exceptions) immediately tell ASX that information.

Publicly disclosed information about all ASX-listed entities, including ALE, is available on the ASX website at www.asx.com.au.

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

ALE's annual and interim reports and public announcements are also available at www.alegroup.com.au/Investor-Centre/.

6. Information about Consortium Acquirer and Consortium Acquirer Nominee

6.1 Corporate overview

Consortium Acquirer is an unlisted proprietary company which is incorporated in Australia. Consortium Acquirer is the trustee of a special purpose acquisition trust (**Consortium Acquirer Trust**) which is owned in equal proportions by CLW and Hostplus. All of the shares in Consortium Acquirer are owned by Consortium Acquirer Nominee, which is part of the broader Charter Hall Group.

Other than nominal seed capital and pursuant to the Schemes, Consortium Acquirer Trust has no other assets or liabilities.

Consortium Acquirer Nominee, namely Charter Hall Holdings Pty Limited, is an unlisted proprietary company incorporated in Australia. All of the shares in Consortium Acquirer Nominee are owned by Charter Hall Limited, which is one of the stapled entities that comprise the Charter Hall Group.

Further information about the Consortium is set out in Section 7.

6.2 Implementation of the Schemes

On implementation of the Schemes, ALE Scheme Securityholders will become entitled to their respective Scheme Consideration and their ALE Securities will be unstapled and:

- their ALE Scheme Units will be transferred to Consortium Acquirer; and
- their ALE Scheme Shares will be transferred to Consortium Acquirer Nominee.

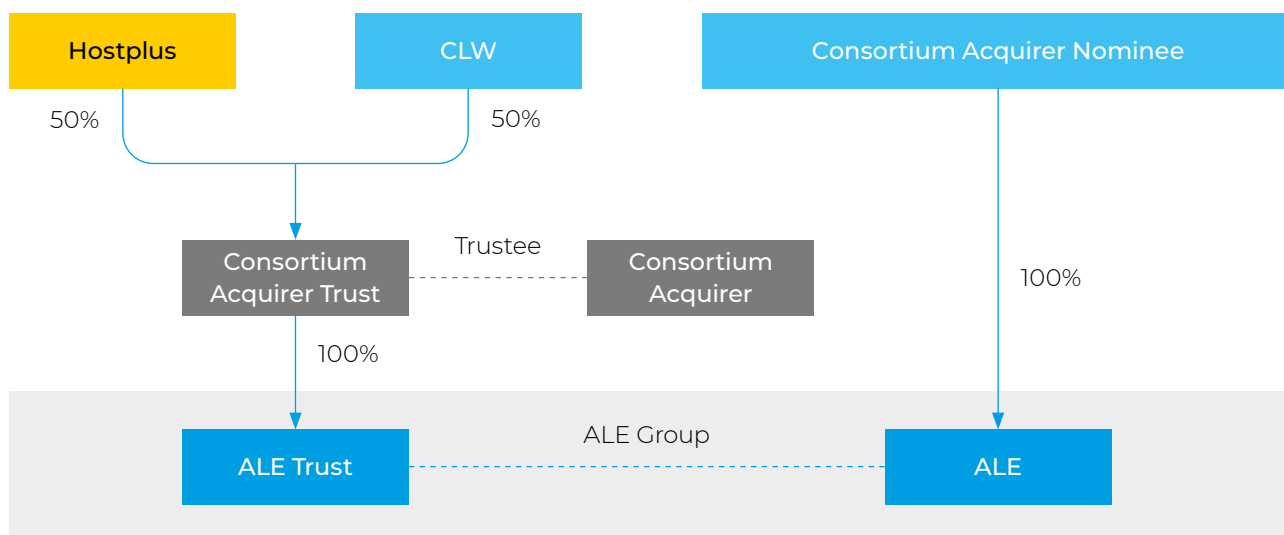
This structure is set out in Section 6.3.

On implementation of the Schemes, CLW and Hostplus will effectively each own 50% of the Trust Units and Consortium Acquirer Nominee will own 100% of the Company Shares.

See Section 7.5 for details about the Consortium Acquirer's and Consortium Acquirer Nominee's intentions regarding ALE Group post-implementation of the Schemes.

6.3 Ownership and acquisition structure

The following diagram shows a simplified version of the proposed acquisition structure.



7. Information about CLW, Charter Hall Group and Hostplus

7.1 Overview of CLW

(a) Corporate overview, principal activities and operations

Charter Hall WALE Limited (**CHWALE**) is the responsible entity of CLW, a 'stapled' entity comprising Charter Hall Direct Industrial Fund (**DIF**) and LWR Finance Trust (**Finance Trust**). The units in DIF are stapled to the units in Finance Trust and those stapled units are together referred to in this Scheme Booklet as 'CLW Securities'.

The CLW Securities are listed on ASX under the ticker "CLW" and are traded as a single security. See Sections 8.12 and 8.13 for details regarding the rights attaching to the CLW Securities and summaries of the respective constitutions of DIF and Finance Trust.

CHWALE is a wholly owned subsidiary of Charter Hall Limited, which is one of the stapled entities which comprises the Charter Hall Group.

The principal activity of CLW is investment in high quality Australasian properties that are predominantly leased to corporate and Government tenants on long term leases. Further information about the principal activities and operations of CLW is set out in Section 7.1.

(b) Board and management

The CLW Board has many years of proven expertise in real estate, banking and finance, infrastructure and investment management. A broad and multi-dimensional approach, together with significant investment experience ensures the board has the necessary skills in mitigating risk and protecting capital.

The CLW Board is as follows.

(i) **Peeyush Gupta AM** (Chair – BA, M.B.A.)

Peeyush joined the CLW Board in May 2016.

Peeyush was the co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm.

He has experience in starting and growing businesses, acquisitions and divestments, roll-ups and integration, general management, investment management and corporate governance.

He is a non-executive director of National Australia Bank Limited, Special Broadcasting Service, Link Administration, BNZ Life, and Insurance & Care (NSW). He is also currently the Chair of Charter Hall Direct Property Management Limited and serves in a pro bono capacity as a trustee of Western Sydney University, and the Australian School of Business Dean's Advisory Committee.

Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. Peeyush is also a Fellow of the Australian Institute of Company Directors.

(ii) **Glenn Fraser** (Non-Executive Director – BCOM, CA)

Glenn joined the CLW Board in May 2016 and is a professional non-executive director with significant experience in finance, infrastructure and property.

He was a member of Transfield Holdings Advisory Board from 1999 to 2015. He was instrumental in Transfield Holdings' acquisition of a 50% interest in Charter Hall Group and its subsequent expansion and listing in 2005. Previously, Glenn was a Non-Executive Director of Charter Hall Group from 6 April 2005 to 15 August 2012.

Joining Transfield Holdings in 1996, Glenn was General Manager – Finance Project Development, where he was responsible for the financial elements of Transfield Holdings' infrastructure and property projects. In 1999, Glenn was appointed Chief Financial Officer of Transfield Holdings, which at that time had turnover in excess of \$1 billion per annum and over 8,000 staff.

Glenn was a principal and director of a project finance advisory business, Perry Development Finance Pty Limited, from 1985; which was sold to Hambros Corporate Finance Limited in 1995.

Glenn holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors.

(iii) **Ceinwen Kirk-Lennox** (Non-Executive Director – BBUS, GAICD)

Ceinwen joined the CLW Board in June 2016.

Ceinwen has over 35 years' experience in many aspects of property including agency, property development, project and construction management, and community development.

Her executive career includes 26 years at Lendlease Corporation, where she held executive roles, running commercial business units, client accounts and functions across the Lendlease Group. Ceinwen now runs her own consultancy, with clients across both private and public sectors.

Ceinwen holds a Bachelor of Business (Land Economy) from the University of Western Sydney, and is a graduate of the Australian Institute of Company Directors.

Ceinwen brings 20 years' experience as an executive and non-executive director serving on a number of boards including both for-profit and not-for-profit companies.

Ceinwen was appointed to the Greater Sydney Parklands Board in 2020, is an ongoing member of the Sydney Archdiocesan Property Committee, and Infrastructure NSW Assurance Reviewer.

(iv) **Carmel Hourigan** (Office CEO – B.Bus (Land Economy), GDipAppFin)

Carmel Hourigan is Charter Hall's Office CEO and is a member of Charter Hall's Executive Committee, with over 28 years industry experience spanning key senior leadership positions and roles in funds management, research and advisory services.

She is leading the \$23 billion office sector from end-to-end including Funds Management, Asset Management, Development and Property Management teams, including the overall strategy and objectives for the business.

Prior to Charter Hall, Carmel held the position of Global Head of Real Estate at AMP Capital between November 2015 and August 2020. She was responsible for leading the group's global real estate investment and management business, including the portfolio management and performance of real estate assets for pooled fund investors and separately managed account clients.

Prior to AMP Capital, Carmel was Chief Investment Officer at The GPT Group and prior to that, Head of Investment Management since 2012. Her experience also includes senior roles at Lend Lease and Colonial First State.

Carmel holds a Bachelor of Business (Land Economics) from the University of Western Sydney, and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.

(v) **David Harrison** (Managing Director and Group CEO, Charter Hall Group – B.Bus (Land Economy), FAPI, GDipAppFin)

With a specific focus on strategy, David is responsible for all aspects of the Charter Hall business. Recognised as a multi-core sector market leader, David has over 34 years' global property market experience and has led transactions exceeding \$40 billion of commercial, retail and industrial property assets.

Under his stewardship, the Charter Hall Group portfolio has grown from \$500 million in 2004 to \$52.3 billion of assets under management in 2021.

David is a Fellow of the Australian Property Institute (FAPI) and Property Male Champions of Change. He is also National President of the Property Council of Australia and a member of the Nominations Committee (Director since 14 April 2016, National Vice-President from 2017–2021, National President since 30 March 2021) and a member of the Board for NSW Rugby Union/Waratahs.

David's vision for Charter Hall is to ensure we always deliver on our promise of putting people at the heart of all we do and that our team-members are given opportunities to excel in their service to customers

David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.

Information about CLW, Charter Hall Group and Hostplus

(c) Fund Management Team

CLW's Fund Management Team has extensive experience in the property industry including experience in the management, acquisition, leasing, financing, valuation and development of real estate assets. This experience is supplemented by broad complementary experience in accounting, legal and finance disciplines.

The Fund Management Team of CLW is as follows.

(i) **Avi Anger** (Fund Manager – Long WALE REIT)

Avi joined Charter Hall in 2003 and has over 20 years of experience in real estate funds management. Avi has worked across the office, industrial and retail real estate sectors. This has included leading the sourcing and acquisition of property and the establishment and structuring of new funds, the management of these funds, including overseeing transactions, development, asset and property management.

Avi led the establishment of the Charter Hall Long WALE REIT (ASX: CLW) in 2016 and is the Fund Manager of the REIT.

Prior to his current role, Avi was Head of Transactions and Advisory and was responsible for all property transactions of the Group and its managed funds. Avi headed up the Transactions and Advisory division from March 2009 to November 2016 and played a key role in the growth of the Charter Hall Group's funds under management.

Prior to joining Charter Hall Group, Avi worked at Terrace Tower Group and at Ernst & Young in the Corporate Advisory division. Avi holds a Bachelor of Commerce and a Master of Commerce degrees from the University of New South Wales.

(ii) **Darryl Chua** (Deputy Fund Manager)

Darryl joined Charter Hall Group in 2016 and is responsible for the operation of CLW, particularly with respect to portfolio and capital management.

Darryl has over 14 years' experience in real estate funds management and corporate finance.

Prior to joining Charter Hall Group, Darryl worked at Goodman Group in the Investment Management team and Macquarie Group in both its real estate financing division and its investment banking division, Macquarie Capital, specialising in real estate corporate advisory. Darryl holds a Bachelor of Laws from the University of Western Australia.

(iii) **Mark Bryant** (Group General Counsel and Company Secretary)

Mark Bryant is the Group General Counsel and Company Secretary of Charter Hall Group.

Mark holds a Bachelor of Business (Accounting) and a Bachelor of Laws (Hons). Prior to joining Charter Hall Group in 2012, Mark practised as an M&A and Securities lawyer at law firm King & Wood Mallesons. Mark has over 15 years' experience as a lawyer, advising across a range of areas and industries, particularly real estate funds management.

Mark Bryant is the person responsible under ASX Listing Rule 12.6 for communications by CLW with ASX.

(iv) **Scott Martin** (Head of Finance – Diversified)

Scott joined Charter Hall Group following the acquisition of Folkestone Limited in November 2018 where he held the position of Chief Financial Officer & Company Secretary since December 2005.

Scott has over 20 years' financial experience in Australia specialising in the property and construction industries.

Scott is a Chartered Accountant who began his career at Deloitte specialising in accounting, taxation and transaction services.

Scott is a member of the Institute of Chartered Accountants and holds a Bachelor of Commerce from the University of Melbourne.

7.2 Overview of Charter Hall Group

Both CHWALE, the responsible entity of CLW, and Consortium Acquirer Nominee, are wholly-owned subsidiaries of Charter Hall Group.

Charter Hall Group (listed on ASX with the ticker "CHC") is a stapled group comprising shares in Charter Hall Limited and units in Charter Hall Property Trust.

Charter Hall Group is one of Australia's leading integrated property groups, with over 30 years' experience in managing listed and unlisted property funds on behalf of wholesale, institutional and retail investors. Since 2004, Charter Hall Group has grown from \$500 million to \$52.3 billion of assets under management.⁴¹

Charter Hall Group uses its property expertise to access, deploy, manage and invest equity across core real estate sectors – Office, Retail, Industrial & Logistics and Social Infrastructure.

Charter Hall Group operates with prudence and has carefully curated a diverse portfolio of over 1,388 high quality properties.

Charter Hall Group's interests are aligned with CLW through a material investment in CLW with a holding of approximately 11.8% of all CLW Securities on issue as at the date of this Scheme Booklet.

7.3 Overview of Hostplus

The Hostplus Superannuation Fund was founded by the Australian Hotels Association and the United Workers Union (formerly called United Voice) in 1988. The Hostplus Superannuation Fund has since grown to be one of the largest industry superannuation funds in Australia. With circa 1.3 million members, more than 235,000 employers and \$68 billion in funds under management⁴² (as at 30 June 2021), the scale and ongoing growth of the Hostplus Superannuation Fund allows for low member costs and a broad range of investment opportunities. The Hostplus Superannuation Fund is proud of its industry fund heritage and is run only to benefit its members.

Hostplus is a pooled superannuation trust, which is regulated by the Australian Prudential Regulation Authority and invests the assets of a number of superannuation funds, including the investment assets of the Hostplus Superannuation Fund.

7.4 Rationale for the proposed acquisition of ALE Group

The acquisition of ALE Group provides access to:

- highly strategic and well-located properties;
- high quality tenant counterparty;
- an attractive lease structure; and
- strong rental growth profile.

The acquisition of ALE Group is consistent with:

- CLW's strategy to grow its portfolio through direct and indirect investments across multiple real estate sectors with a focus on assets that are predominantly leased to tenants with strong covenants on long-term leases; and
- Hostplus' objectives in investing the assets of its underlying superannuation fund investors.

More information about the profile of the Merged Group following implementation of the Schemes (including potential synergies) is set out in Section 9.

7.5 Intentions upon the Schemes being approved

This Section sets out Consortium Acquirer's and Consortium Acquirer Nominee's present intentions in relation to the continuation of the business of ALE Group, any major changes to be made to the business of ALE Group, including the management of assets of ALE Group, and the future employment of employees of ALE Group, if the Schemes are implemented.

The intentions set out in this Section are statements of current intention only and are based on facts and circumstances that are known to Consortium Acquirer and Consortium Acquirer Nominee as at the date

⁴¹ As at 30 June 2021.

⁴² Includes funds under management for Hostplus.

Information about CLW, Charter Hall Group and Hostplus

of preparing this Scheme Booklet either from publicly available sources or which Consortium Acquirer has obtained from ALE in the course of its due diligence in connection with the proposed Schemes. Accordingly, the intentions set out in this Section may change as new information becomes available or circumstances change.

Should ALE Securityholders approve the Schemes, Consortium Acquirer and Consortium Acquirer Nominee intend to:

- continue to operate the ALE Trust as an owner of Australian freehold pub properties and actively manage the assets of ALE, thereby maximising returns to Consortium Acquirer;
- cause ALE and ALE Trust to apply for termination of official quotation of ALE Securities on ASX and removal of ALE and ALE Trust from the official list of ASX;
- replace the board of ALE with its own nominees;
- refinance ALE Group's existing debt facilities and funding arrangements with the exception of the Capital Indexed Bonds;
- convert ALE Group from an internal to an external management structure, eliminating all existing and corporate overhead costs, with the exception of the Capital Indexed Bonds;
- de-register the ALE Trust as a managed investment scheme in due course, as the ALE Trust will be a wholly owned sub-trust which will no longer be required to be registered with ASIC; and
- terminate the employment or contracting arrangements of all current employees and contractors of ALE Group although some may stay on in temporary contracting arrangements to assist with the transition of ownership.

Consortium Acquirer Nominee also intends for ALE to continue to provide financial services under its Australian Financial Services Licence.

7.6 Funding arrangements for the Scheme Consideration

If the Schemes become effective, the consideration payable to ALE Scheme Securityholders under the Schemes will be satisfied by a combination of the payment of cash consideration and an issue of CLW Securities.

The amount of cash consideration Consortium Acquirer will be required to pay to ALE Scheme Securityholders under the Schemes is approximately \$736.8 million. This assumes that all 125,497 ESSS Rights on issue as at the date of this Scheme Booklet, which includes the 33,731 ESSS Rights proposed to be issued to Mr Guy Farrands (subject to ALE Securityholder approval at the 2021 AGM), vest and are settled by an issue of ALE Securities (refer to Section 13.2) (the exact amount of cash consideration being the **Available Cash Consideration**).

Based on the number of ALE Securities on issue as at the date of this Scheme Booklet, and assuming that all 125,497 ESSS Rights on issue as at the date of this Scheme Booklet, which includes the 33,731 ESSS Rights proposed to be issued to Mr Guy Farrands, vest and are settled by an issue of ALE Securities, the number of CLW Securities that will be required to be issued under the Schemes is approximately 81.8 million (the exact number of CLW Securities being the **Available Scrip Consideration**).

The Schemes are not subject to any financing condition precedent

(a) Cash funding arrangements

Pursuant to the Deed Poll and the Scheme Implementation Deed, Consortium Acquirer has undertaken in favour of each ALE Scheme Securityholder to provide, or procure the provision of, the Available Cash Consideration.

Each of CLW and Hostplus have also guaranteed the due and punctual performance by Consortium Acquirer of its obligations under the Scheme Implementation Deed, which includes the obligation to provide or procure the provision of the Available Cash Consideration.

Based on the number of ALE Securities on issue as at the date of this Scheme Booklet (and assuming the 125,497 ESSS Rights on issue as at the date of this Scheme Booklet, which includes the 33,731 ESSS Rights proposed to be issued to Mr Guy Farrands, are vested and settled by an issue of ALE Securities) CLW's respective proportion of the Available Cash Consideration is approximately \$167.1 million. CLW will fund its respective proportion of the Available Cash Consideration from its cash reserves and

from drawdowns under existing CLW debt facilities. As at 30 June 2021, CLW had cash reserves of approximately \$77.0 million and undrawn debt capacity of approximately \$339.2 million. In addition to this, on 17 September 2021, Charter Hall LWR Pty Limited (ACN 613 952 346), a wholly owned subsidiary of CLW, executed binding commitment letters to increase the facility limits of three of its existing bank debt facilities by \$350 million in aggregate, which is for the specific purpose of funding CLW's cash requirements for the Proposal, including its respective proportion of the Available Cash Consideration (**CLW Debt Facility Arrangements**).

Hostplus' respective proportion of the Available Cash Consideration is approximately \$569.7 million. On 17 September 2021, Charter Hall Wholesale Management Limited in its capacity as trustee of the HP LEP Trust, being a trust wholly owned by Hostplus (Hostplus Trust), executed a binding commitment letter with Australia and New Zealand Banking Group Limited and Westpac Banking Corporation to provide \$340 million of debt facilities to the Hostplus Trust, of which a minimum of \$245 million will be used to fund Hostplus' proportion of the Available Cash Consideration (**HP Debt Facility Arrangements**).

Any part of Hostplus' proportion of the Available Cash Consideration which is not funded by the HP Debt Facility Arrangements will be funded by existing cash reserves.

Drawdowns under the CLW Debt Facility Arrangements and the HP Debt Facility Arrangements (together, the **Debt Facility Arrangements**) are subject to a number of conditions precedent, including:

- the execution and delivery of long-form financing documents; and
- the satisfaction of other conditions which are customary for facilities funding acquisitions by way of a scheme of arrangement.

It is expected that these conditions will be satisfied or waived prior to the Implementation Date. If these conditions precedent are satisfied, then the financiers must provide the funds for their portion of a drawdown request up to their commitment under the Debt Facility Arrangements. The financiers are required to provide funding under the Debt Facility Arrangements on a certain funds basis. That is, they are required to fund if the conditions precedent are satisfied (unless certain key representations are not correct, certain key undertakings are not complied with, or certain key events of default are subsisting).

As at the date of this Scheme Booklet, CLW and Hostplus (as applicable) are not aware of:

- any reason why any of the conditions precedent to the relevant Debt Facility Arrangements will not be satisfied, and expect that they will be satisfied, in time to allow payment in full of the Available Cash Consideration as and when due under the terms of the Scheme; or
- the occurrence of any misrepresentation, breach of undertaking or event of default or any circumstance that would lead to any misrepresentation, breach of undertaking or event of default or which would give rise to a right to the financiers to refuse a drawdown request under the relevant Debt Facility Arrangements.

Notwithstanding the above, CLW and Hostplus have each confirmed that they will retain sufficient equity and debt commitments and/or cash reserves to fund their respective proportion of the Available Cash Consideration until the Implementation Date, and that such commitments are only subject to conditions within their respective control. The cash and/or undrawn commitments are sufficient to fund the Available Cash Consideration and transaction costs.

(b) Scrip Consideration

As noted above, CLW is a party to the Scheme Implementation Deed and the Deed Poll and has unconditionally and irrevocably guaranteed the due and punctual performance by Consortium Acquirer of its obligations in respect of the Schemes. This includes the obligation to provide or procure the provision of the Available Scrip Consideration in accordance with the terms of the Schemes.

(c) Conclusion

On the basis of the arrangements described in this Section 7.6, Consortium Acquirer is of the opinion that it has a reasonable basis for holding the view, and holds the view, that it will be able to satisfy the funding commitments described in this Section 7.6.

Information about CLW, Charter Hall Group and Hostplus

7.7 Other information

(a) No interests in ALE Securities

As at the date of this Scheme Booklet neither Consortium Acquirer, any of Consortium Acquirer's directors, CLW, Hostplus, nor Consortium Acquirer Nominee have any voting power in ALE or a Relevant Interest in any ALE Securities.

On implementation of the Schemes, Consortium Acquirer's and its Associates' voting power in ALE Trust will be 100% and Consortium Acquirer Nominee and its Associates' voting power in ALE will be 100%.

(b) No dealings in ALE Securities in previous four months

Neither Consortium Acquirer, any of Consortium Acquirer's Associates, CLW, Hostplus, nor Consortium Acquirer Nominee have provided, or agreed to provide, consideration for ALE 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 Consortium Acquirer has agreed to provide to all ALE Scheme Securityholders under the Schemes.

(c) No pre-transaction benefits in previous four months

Neither Consortium Acquirer, any of Consortium Acquirer's Associates, CLW, Hostplus, nor Consortium Acquirer Nominee gave, or offered to give or agreed to give, during the period of four months before the date of this Scheme Booklet, a benefit to another person which was likely to:

- induce that other person to vote in favour of the Schemes; or
- dispose of any ALE Securities,

except for the Scheme Consideration which Consortium Acquirer has agreed to provide to all ALE Scheme Securityholders under the Schemes.

(d) No other agreements or inducements/arrangements

Except as disclosed in this Scheme Booklet, neither Consortium Acquirer, CLW, Hostplus, nor Consortium Acquirer Nominee have made any agreement or arrangement with an ALE Director in connection with or conditional on the outcome of the Schemes.

8. Further information about CLW and CLW Securities

The information contained in this Section 8 has been prepared by CLW and constitutes 'CLW Information'. The information concerning CLW, and the intentions, views and opinions contained in this Section 8, are the responsibility of CLW.

8.1 Overview of operations and strategy

(a) Introduction

As noted above, CLW is an ASX-listed (ASX: CLW) Australian Real Estate Investment Trust (REIT) that invests in high quality real estate assets leased to corporate and government tenants on long leases. It is Australia's largest diversified long WALE REIT, with a \$5.6 billion portfolio (as at 30 June 2021) comprising office, industrial and logistics, long WALE retail, social infrastructure and agri-logistics properties. CLW has been listed since November 2016.

CLW is managed by Charter Hall Group, one of Australia's leading fully integrated property groups, with over 30 years' experience managing high quality real estate on behalf of institutional, wholesale and retail clients. Charter Hall Group has \$52.3 billion⁴³ of funds under management and manages 1,388 properties across the office, retail, industrial and social infrastructure sectors. Further information about Charter Hall Group is set out in Section 7.2.

Examples of CLW's high quality assets:

Australian Tax Office, Adelaide



242 Exhibition Street, Melbourne



Woolworths Distribution Centre, Dandenong, Melbourne



bp Minchinbury, Sydney



⁴³ As at 30 June 2021.

Further information about CLW and CLW Securities

Federal Hotel, Toowoomba



Arnott's Huntingwood, Sydney



SUEZ North Ryde, Sydney



Australian Red Cross, Sydney



(b) Strategy

CLW's objective is to provide CLW Securityholders with stable and secure income and the potential for both income and capital growth through an exposure to a portfolio with a long WALE. CLW is actively managed to achieve its investment objective and aims to:

- grow its portfolio through direct and indirect investments across multiple real estate sectors, geographies and tenants;
- focus on assets that are predominantly leased to tenants with strong covenants on long term leases;
- maintain a conservative capital structure;
- target the distribution of 100% of its operating earnings; and
- supplement its growth through pro-actively managing lease duration and tenant relationships.

CLW will assess real estate investment opportunities that satisfy its investment objectives and strategy to provide further diversification and enhance the performance of the portfolio for investors. CLW does not invest in assets located outside of Australasia.

The strategy of CLW is to minimise development risk, with a focus on sustainable income returns. CLW will not undertake speculative development. CLW may undertake development in circumstances when income risk can be substantially mitigated. CLW may develop or redevelop existing properties to maximise returns to CLW Securityholders.

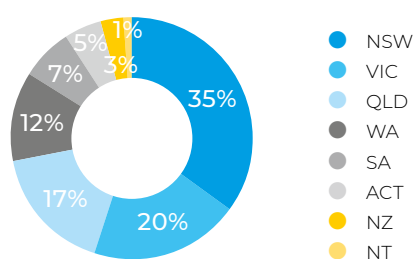
(c) Portfolio overview

As at 30 June 2021 (adjusted to include the property acquisitions announced to ASX on 1 July 2021 and the acquisition of the Endeavour Group leased Terrey Hills Tavern that occurred post reporting date), CLW's property portfolio consisted of 468 properties with a total value of \$5.6 billion and a long term WALE of 13.2 years.

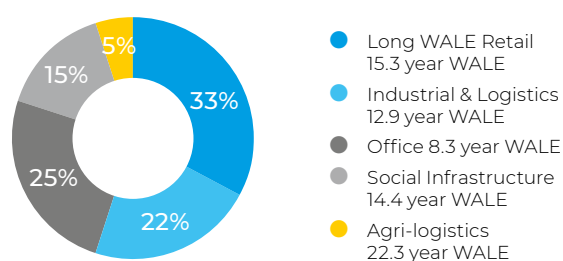
Key metrics of CLW's portfolio are below.

Key metrics	June 2021
Number of properties	468
Property valuation (\$m)	5,560
Weighted Average Capitalisation Rate (WACR)	4.77%
Occupancy	98.3%
Weighted Average Lease Expiry (WALE)	13.2 years
Portfolio review type weighting: CPI-linked review/Fixed review	40%/60%
Weighted Average Rental Review (WARR)	3.0%

Geographic diversification⁴⁴



Real estate sector diversification⁴⁵



⁴⁴ As at 30 June 2021 (weighted by external valuation), adjusted to include the property acquisitions announced to ASX on 1 July 2021 and the acquisition of the Endeavour Group leased Terrey Hills Tavern that occurred post reporting date. Totals may not add to 100% due to rounding.

⁴⁵ As at 30 June 2021 (weighted by external valuation), adjusted to include the property acquisitions announced to ASX on 1 July 2021 and the acquisition of the Endeavour Group leased Terrey Hills Tavern that occurred post reporting date. Totals may not add to 100% due to rounding.

Further information about CLW and CLW Securities

(i) Long WALE retail – \$1.8 billion

Asset	State	CLW Interest	Valuation (\$m)	Cap rate (\$m)	WALE (years)	Occupancy (%)	NLA (sqm)	WARR (%)
Endeavour Group portfolio (62 properties)	Australia wide	49.9%	545.4	4.85%	13.2	100%	174,098	CPI
bp Australia portfolio (225 properties)	Australia wide	24.5%	493.1	4.71%	18.4	100%	63,241	CPI
bp New Zealand portfolio (70 properties)	NZ wide	24.5%	165.9	4.57%	19.5	100%	N/A	CPI + 0.5%
David Jones, Sydney	NSW	50.0%	260.0	5.00%	19.7	100%	32,883	2.5%
Myer, Melbourne	VIC	33.3%	135.2	6.00%	10.5	100%	39,923	CPI + 1.0%
Bunnings (4 properties)	QLD, NT, WA	100.0%	160.6	4.86%	9.1	100%	57,796	2.4%
Club Hotel, Waterford	QLD	100.0%	26.0	5.25%	11.5	100%	1,163	3.0%
Ampol, Redbank Plains	QLD	100.0%	25.4	5.50%	8.9	100%	1,613	3.3%
Total/weighted average			1,811.5	4.91%	15.3	100%	682,986	2.7%

bp Asquith, Sydney, NSW



Allenstown Hotel, QLD



Ampol, Redbank Plains, QLD



(ii) Office – \$1.4 billion

Asset	State	CLW Interest	Valuation (\$m)	Cap rate (\$m)	WALE (years)	Occupancy (%)	NLA (sqm)	WARR (%)
The Glasshouse, Macquarie Park	NSW	50.0%	184.0	4.50%	10.5	100%	35,114	3.4%
Westpac Building, Kogarah	NSW	50.1%	123.2	4.75%	13.1	100%	31,715	CPI
Thales Australia Head Office, Sydney Olympic Park	NSW	100.0%	52.0	5.00%	10.6	96%	5,931	3.5%
Australian Taxation Office, Albury	NSW	50.0%	42.3	5.75%	6.8	99%	10,807	3.5%
Services Australia, Tuggeranong	ACT	50.0%	152.5	4.75%	10.0	100%	26,052	3.5%
Telstra Canberra Head Office, Canberra	ACT	100.0%	110.0	5.38%	4.6	100%	14,155	3.8%
242 Exhibition Street, Melbourne	VIC	15.0%	135.8	4.25%	10.1	99%	65,941	3.5%
Australian Taxation Office, Box Hill	VIC	50.0%	115.0	4.50%	8.5	100%	19,942	4.0%
Australian Taxation Office, Upper Mount Gravatt	QLD	100.0%	67.5	6.75%	5.3	100%	14,286	2.5%
56 Edmondstone Road, Bowen Hills	QLD	100.0%	52.5	7.75%	8.0	23%	12,427	3.3%
85 George Street, Brisbane	QLD	50.0%	56.8	5.25%	7.3	100%	10,566	3.5%
40 Tank Street, Brisbane	QLD	50.0%	45.8	5.77%	3.5	99%	6,218	2.8%
Australian Taxation Office, Adelaide	SA	50.0%	158.8	5.25%	5.9	100%	36,807	3.7%
Optima Centre, Perth	WA	50.0%	68.0	5.75%	11.0	93%	16,086	3.5%
Total/weighted average			1,364.0	5.11%	8.3	94%	306,047	3.4%

(iii) Industrial & logistics – \$1.2 billion

Asset	State	CLW Interest	Valuation (\$m)	Cap rate (\$m)	WALE (years)	Occupancy (%)	GLA (sqm)	WARR (%)
Arnott's, Huntingwood	NSW	50.0%	243.5	3.75%	30.5	100%	59,002	CPI + 0.5%
National Archives, Chester Hill	NSW	100.0%	78.0	4.25%	17.3	100%	22,824	3.0%
Australia Post, Kingsgrove	NSW	100.0%	29.0	4.50%	5.0	100%	6,729	3.5%
Woolworths Distribution Centre, Dandenong	VIC	26.0%	82.3	3.75%	16.7	100%	70,431	2.8%
Coles Distribution Centre, Truganina	VIC	50.0%	78.4	3.75%	11.0	100%	69,074	3.5%
Linfox Distribution Centre, Hoppers Crossing	VIC	100.0%	65.0	5.00%	4.5	100%	52,364	3.0%
Toll, Altona North	VIC	100.0%	36.5	5.00%	4.4	100%	6,310	3.5%
Simon National Carriers, Carole Park	QLD	100.0%	83.1	4.00%	15.0	100%	30,605	3.0%
Coates Hire, Kingston	QLD	100.0%	40.3	4.38%	11.7	100%	1,835	4.0%
Electrolux, Beverley	SA	100.0%	52.5	5.25%	8.4	100%	25,562	3.5%
Metcash Distribution Centre, Canning Vale	WA	100.0%	172.0	6.50%	2.6	100%	98,295	CPI
Coles Distribution Centre, Perth Airport	WA	49.9%	163.2	4.75%	13.5	100%	81,647	2.8%
SUEZ portfolio (11 properties)	Australia wide	100.0%	125.1	4.36%	16.3	100%	30,538	3.0%
Total/weighted average			1,248.8	4.57%	12.9	100%	555,216	3.0%

(iv) Social Infrastructure – \$833 million

Asset	State	CLW Interest	Valuation (\$m)	Cap rate (\$m)	WALE (years)	Occupancy (%)	Building area (sqm)	WARR (%)
National Telco Exchanges portfolio (36 properties)	Australia wide	24.5%	402.1	3.80%	19.1	100%	347,270	CPI + 0.5%
Pitt Street Telco Exchange, Sydney CBD	NSW	100.0%	290.6	4.38%	9.5	100%	23,586	2.5%
Australian Red Cross, Alexandria	NSW	50.0%	79.5	4.25%	9.6	100%	12,702	3.5%
Brisbane City Council Bus Network Terminal	QLD	50.0%	61.0	4.13%	17.2	100%	6,543	2.5%
Total/weighted average			833.2	4.07%	14.4	100%	370,856	2.9%

Brisbane City Council Bus Network Terminal, QLD



Chatswood Exchange, NSW



76–78 Pitt Street, NSW



Further information about CLW and CLW Securities

(v) Agri-logistics – \$302 million

Asset	State	CLW Interest	Valuation (\$m)	Cap rate (\$m)	WALE (years)	Occupancy (%)	Building area (sqm)	WARR (%)
Ingham's portfolio (27 properties)	Australia wide	100%	302.3	5.21%	22.3	100%	303,687	2.5%
Total/weighted average			302.3	5.21%	22.3	100%	303,687	2.5%

Mount Alford Hatchery, QLD



Monaro Hatchery, SA



Berrima Feedmill, NSW



8.2 Historical financial information

(a) Overview

This Section provides a summary of the financial information for the CLW Group, and is extracted from audited consolidated financial statements of the CLW Group for the years ending 30 June 2019, 30 June 2020 and 30 June 2021.

This financial information for the CLW Group excludes any pro forma adjustments arising from the implementation of the Schemes. Those adjustments are provided in Section 9.

(b) Basis of presentation

The financial information in this Section 8.2 has been prepared in accordance with the requirements of the CLW Constitutions, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

The audit and review opinions in the consolidated financial statements released to ASX were issued by PricewaterhouseCoopers and were unqualified. As the financial information is extracted and/or summarised from audited consolidated financial statements of the CLW Group for the years ending 30 June 2019, 30 June 2020 and 30 June 2021, the financial information presented in the tables below is in abbreviated form and does not represent the complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. These financial reports are available from CLW's website <https://www.charterhall.com.au/investments/funds/clw>.

(c) Overview of performance

Key metrics	FY21	FY20	FY19
Operating earnings	\$159.0 m	\$121.9 m	\$70.8 m
Operating earnings per security	29.2 cents	28.3 cents	26.9 cents
Distributions per security	29.2 cents	28.3 cents	26.9 cents
Statutory profit	\$618.3 m	\$122.4 m	\$69.6 m
	30 June 2021	30 June 2020	30 June 2019
NTA per security	\$5.22	\$4.47	\$4.09
Number of properties	468	386	118
WALE	13.2 years	14.0 years	12.5 years
Property portfolio	\$5.56 bn	\$3.63 bn	\$2.13 bn
Balance sheet gearing	31.4%	24.2%	27.5%
Look through gearing	39.7%	37.8%	34.3%

Notes: Property metrics as at 30 June 2021 are adjusted to include the property acquisitions announced to ASX on 1 July 2021 and the acquisition of the Endeavour Group leased Terrey Hills Tavern that occurred post reporting date. Gearing as at 30 June 2021 adjusted on same basis as property metrics and includes distribution reinvestment proceeds with respect to the June 2021 quarter. Unadjusted balance sheet and look through gearing as at 30 June 2021 was 27.4% and 36.6% respectively. Property and gearing metrics as at 30 June 2020 are pro forma adjusted for the committed acquisition of Bunnings Palmerston and divestment of the 5% interest in WPR. Unadjusted balance sheet and look through gearing as at the 30 June 2020 reporting date was 26.1% and 39.0% respectively.

Further information about CLW and CLW Securities

(d) Summarised consolidated statements of financial position (at 30 June)

	Charter Hall Long WALE REIT			CLW Finance Trust		
	2021 \$'000	2020 \$'000	2019 \$'000	2021 \$'000	2020 \$'000	2019 \$'000
Assets						
Current assets						
Cash and cash equivalents	76,971	38,425	6,413	69,923	14,339	1,053
Receivables	17,050	20,322	9,202	62	—	20
Derivative financial instruments	3,818	—	—	3,818	—	—
Other assets	15,361	850	3,120	—	—	—
Total current assets	113,200	59,597	18,735	73,803	14,339	1,073
Non-current assets						
Investment properties	3,092,885	1,852,615	1,328,445	—	—	—
Investments accounted for using the equity method	1,473,403	1,067,174	551,051	—	—	—
Intra-group facility receivable	—	—	—	1,252,712	812,194	526,446
Investment in financial assets at fair value	4,764	107,107	6,851	—	—	—
Derivative financial instruments	3,137	—	—	3,137	—	—
Total non-current assets	4,574,189	3,026,896	1,886,347	1,255,849	812,194	526,446
Total assets	4,687,389	3,086,493	1,905,082	1,329,652	826,533	527,519
Liabilities						
Current liabilities						
Payables	17,708	8,638	12,154	6,313	266	385
Distribution payable	46,488	35,216	22,932	—	—	—
Derivative financial instruments	233	—	8,126	233	—	8,126
Other liabilities	6,994	6,748	2,033	—	—	—
Total current liabilities	71,423	50,602	45,245	6,546	266	8,511
Non-current liabilities						
Borrowings	1,335,162	829,906	525,017	1,335,162	829,906	525,169
Derivative financial instruments	1,694	20,068	13,365	1,694	20,068	13,365
Total non-current liabilities	1,336,856	849,974	538,382	1,336,856	849,974	538,534
Total liabilities	1,408,279	900,576	583,627	1,343,402	850,240	547,045
Net assets/(liabilities)	3,279,110	2,185,917	1,321,455	(13,750)	(23,707)	(19,526)
Equity						
<i>Equity holders of DIF</i>						
Contributed equity	2,790,095	2,148,676	1,280,894	—	—	—
Reserves	(366)	—	—	—	—	—
Retained profits	503,131	60,948	60,087	—	—	—
Parent entity interest	3,292,860	2,209,624	1,340,981	—	—	—
<i>Equity holders of Finance Trust</i>						
Contributed equity	1,952	1,952	1,952	1,952	1,952	1,952
Accumulated losses	(15,702)	(25,659)	(21,478)	(15,702)	(25,659)	(21,478)
Equity holders of Finance Trust	(13,750)	(23,707)	(19,526)	(13,750)	(23,707)	(19,526)
Total equity	3,279,110	2,185,917	1,321,455	(13,750)	(23,707)	(19,526)

(e) Summarised consolidated cash flow statements

	Charter Hall Long WALE REIT			LWR Finance Trust		
	2021 \$'000	2020 \$'000	2019 \$'000	2021 \$'000	2020 \$'000	2019 \$'000
Cash flows from operating activities						
Property rental income received	163,116	131,804	85,515	—	—	—
Property expenses paid	(27,530)	(18,866)	(15,697)	—	—	—
Distributions received from investment in joint venture entities	69,385	48,526	30,212	—	—	—
Distributions received from investment in financial assets	2,885	—	—	—	—	—
Interest received	171	404	257	112	272	114
Other income received	3,849	—	—	—	—	—
Finance costs paid	(18,034)	(19,429)	(18,784)	(18,034)	(19,429)	(18,784)
Fund management fees paid	(18,043)	(15,726)	(8,147)	(102)	(132)	(6)
Administration and other expenses paid	(3,199)	(3,394)	(3,465)	(28)	(109)	(41)
Net GST paid with respect to operating activities	(10,304)	(6,779)	(6,208)	(55)	33	17
Net cash flows from operating activities	162,296	116,540	63,683	(18,107)	(19,365)	(18,700)
Cash flows from investing activities						
Payments for investment properties	(1,067,931)	(551,559)	(598,327)	—	—	—
Receipts from sale of investment property	635	—	173,730	—	—	—
Receipts from sale of financial asset	101,009	—	—	—	—	—
Payments for investments in joint venture entities	(129,739)	(476,894)	(61,680)	—	—	—
Payments for financial assets at fair value	—	(103,566)	—	—	—	—
Payments for disposal of income support fund	—	—	7,711	—	—	—
Draws from income support fund	1,527	1,043	1,728	—	—	—
Repayment under Intra-Group Facility Agreement	—	—	—	(1,212,611)	(1,147,331)	(682,618)
Drawdowns under Intra-Group Facility Agreement	—	—	—	802,531	887,863	606,995
Acquisition and disposal related costs	—	—	(666)	—	—	(666)
Net cash flows from investing activities	(1,094,499)	(1,130,976)	(477,504)	(410,080)	(259,468)	(76,289)
Cash flows from financing activities						
Proceeds from issue of securities, net of equity raising costs	615,754	846,192	377,732	—	—	—
Distributions paid to Securityholders	(128,776)	(91,863)	(58,880)	—	—	—
Settlement of interest rate swaps	(19,873)	(10,879)	—	(19,873)	(10,879)	—
Proceeds from borrowings (net of borrowing costs)	1,510,792	824,198	511,867	1,510,792	824,198	511,867
Repayment of borrowings	(1,007,148)	(521,200)	(416,000)	(1,007,148)	(521,200)	(416,000)
Net cash flows from financing activities	970,749	1,046,448	414,719	483,771	292,119	95,867
Net increase in cash and cash equivalents	38,546	32,012	898	55,584	13,286	878
Cash and cash equivalents at the beginning of the year	38,425	6,413	5,515	14,339	1,053	175
Cash and cash equivalents at the end of the year	76,971	38,425	6,413	69,923	14,339	1,053

Further information about CLW and CLW Securities

(f) Summarised consolidated statements of income

	Charter Hall Long WALE REIT			LWR Finance Trust		
	2021 \$'000	2020 \$'000	2019 \$'000	2021 \$'000	2020 \$'000	2019 \$'000
Revenue						
Property income	154,431	123,389	85,376	—	—	—
Distribution income	—	2,885	—	—	—	—
Interest income	171	404	257	30,168	26,469	24,294
Total revenue	154,602	126,678	85,633	30,168	26,469	24,294
Other income						
Share of equity accounted profit	349,255	109,424	47,577	—	—	—
Net fair value gain on investment properties	181,189	—	14,779	—	—	—
Net fair value gain on financial assets	—	—	145	—	—	—
Net gain from derivative financial instruments	926	—	—	926	—	—
Foreign exchange gains	282	—	—	291	—	—
Total other income	531,652	109,424	62,501	1,217	—	—
Total revenue and other income	686,254	236,102	148,134	31,385	26,469	24,294
Expenses						
Property expenses	(23,558)	(19,371)	(12,835)	—	—	—
Fund management fees	(18,084)	(13,575)	(7,569)	(141)	(111)	(11)
Finance costs	(20,374)	(21,240)	(19,644)	(20,374)	(21,101)	(24,096)
Administration and other expenses	(2,977)	(2,914)	(2,405)	(26)	(28)	(19)
Net loss from derivative financial instruments	—	(9,410)	(19,328)	—	(9,410)	(19,328)
Net fair value loss on investment properties	—	(28,118)	—	—	—	—
Net fair value loss on financial assets	(198)	(2,267)	—	—	—	—
Acquisition and disposal related costs	(1,713)	(16,737)	(16,794)	—	—	—
Loss on debt extinguishment	(887)	—	—	(887)	—	—
Provision for rent relief*	(149)	(55)	—	—	—	—
Total expenses	(67,940)	(113,687)	(78,575)	(21,428)	(30,650)	(43,454)
Net profit/(loss) for the year	618,314	122,415	69,559	9,957	(4,181)	(19,160)
Other comprehensive income	(366)	—	—	—	—	—
Total comprehensive income/(loss)	617,948	122,415	69,559	9,957	(4,181)	(19,160)
Net profit/(loss) and Total comprehensive income/(loss) attributable to:						
DIF	607,991	126,596	86,813	—	—	—
Stapled Trusts other than DIF	9,957	(4,181)	(17,254)	9,957	(4,181)	(19,160)
	617,948	122,415	69,559	9,957	(4,181)	(19,160)
Basic and diluted earnings/(loss) per ordinary securityholder:						
Earnings per unit of parent entity (cents)	111.73	29.44	35.11	(0.03)	(0.03)	(0.01)
Earnings per stapled security (cents)	113.56	28.47	26.44	1.83	(0.97)	(7.28)

8.3 Capital and risk management

CLW's activities expose it to numerous external financial risks such as market risk, credit risk and liquidity risk. These risks are set out further in Sections 10.3, 10.4 and 10.5. CLW utilises its risk management framework to reduce volatility from these external factors.

CLW optimises capital through the mix of available capital sources whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing, interest cover ratios and other covenants within approved limits and continuing to operate as a going concern.

CLW assesses its capital management approach as a key part of its overall strategy and it is regularly reviewed by management and the CLW Board.

CLW is able to alter its capital mix by issuing new units, activating the Distribution Reinvestment Plan, electing to have the Distribution Reinvestment Plan underwritten, adjusting the amount of distributions paid, activating a unit buyback program or selling assets to reduce borrowings.

CLW has a target balance sheet gearing level of 25% to 35%. CLW, through Finance Trust, uses derivatives to economically hedge its exposure to interest rates.

CLW also protects its assets by taking out insurance with creditworthy insurers.

CLW is considering a capital markets debt issuance in the second quarter of FY22 as part of its ordinary course financing activities. While the sizing and pricing of any such issuance is not yet known, if this were to proceed, it is not expected to result in any change to the operating earnings per security forecast for FY22 set out in Section 9.6. If CLW undertakes such an issuance, it will announce the details to ASX to the extent required by its continuous disclosure obligations under the ASX Listing Rules.

Key debt and hedging metrics as at 30 June 2021

Debt summary

Weighted average cost of debt ⁴⁶	2.1%
Weighted average debt maturity term	5.6 years
Balance sheet gearing ⁴⁷	31.4%
Look through gearing ⁴⁸	39.7%

Hedging summary⁴⁹

Total Look through debt hedged	\$1.1 billion
Look through debt hedged	53.4%
Weighted average hedge maturity term	3.8 years

46 As above.

47 As at 30 June 2021, adjusted to include the property acquisitions announced to ASX on 1 July 2021, the acquisition of the Endeavour Group leased Terrey Hills Tavern that occurred post reporting date and distribution reinvestment proceeds with respect to the June 2021 quarter. Unadjusted balance sheet and look through gearing as at 30 June 2021 was 27.4% and 36.6% respectively.

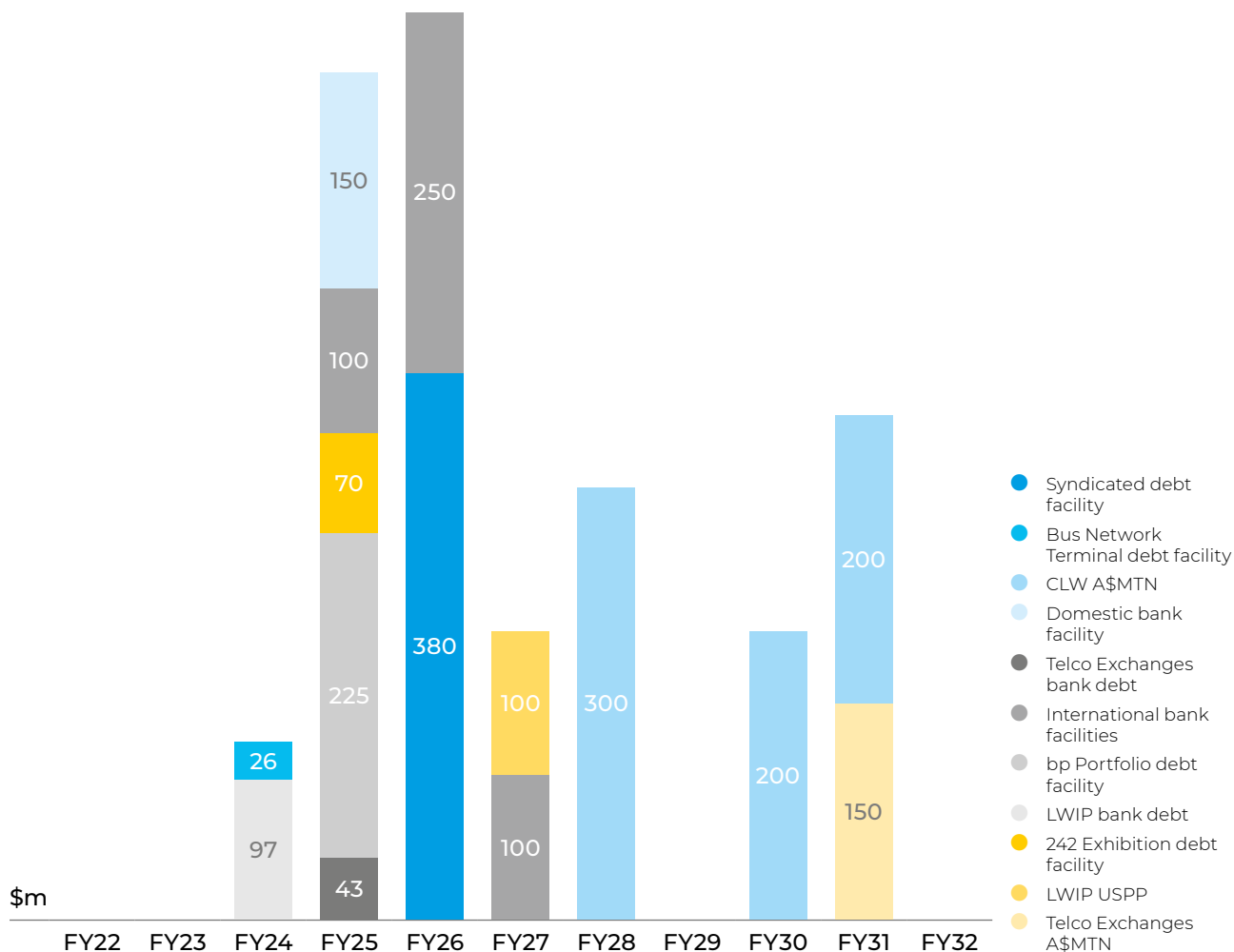
48 As above.

49 Calculated as the look through cost of debt based on drawn debt as at 30 June 2021.

Further information about CLW and CLW Securities

Debt maturity profile as at 30 June 2021

CLW has a diversified and well balanced, long term debt maturity profile.



8.4 Distribution policy

CLW maintains a target distribution payout of 100% of operating earnings. Distributions are paid quarterly with CLW Securityholders receiving distributions within two months following the end of each distribution period, being the quarters ending 31 March, 30 June, 30 September and 31 December each year.

Operating earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items that are not in the ordinary course of business or are capital in nature.

Operating earnings includes the rental revenue recognised in respect of tenants who have been (or will be) provided with rent free incentives as a result of COVID-19. This approach is consistent with CLW's treatment of rent free incentives provided in the ordinary course of its operations which are amortised over the term of the lease. The inclusion of operating earnings as a measure of CLW's profitability provides investors with the same basis that is used internally for evaluating operating segment performance. Operating earnings is used by the CLW Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

CLW has established a Distribution Reinvestment Plan under which CLW Securityholders may elect to have all or part of their distribution entitlements satisfied by the issues of new securities rather than being paid in cash.

The Distribution Reinvestment Plan issue price is determined at a discount of 1.0% to the daily volume weighted average price of all securities traded on ASX during the 10 business days commencing on the third business day following the distribution record date. The Distribution Reinvestment Plan is activated as at the date of this Scheme Booklet.

8.5 Distribution history

Record Date	FY19 (cps)	FY20 (cps)	FY21 (cps)	FY22 YTD (cps)
30 September	6.40	7.00	7.20	7.62
31 December	6.50	7.00	7.30	N/A
31 March	6.90	7.10	7.30	N/A
30 June	7.10	7.20	7.40	N/A
Total	26.90	28.30	29.20	N/A
Payout ratio	100%	100%	100%	N/A

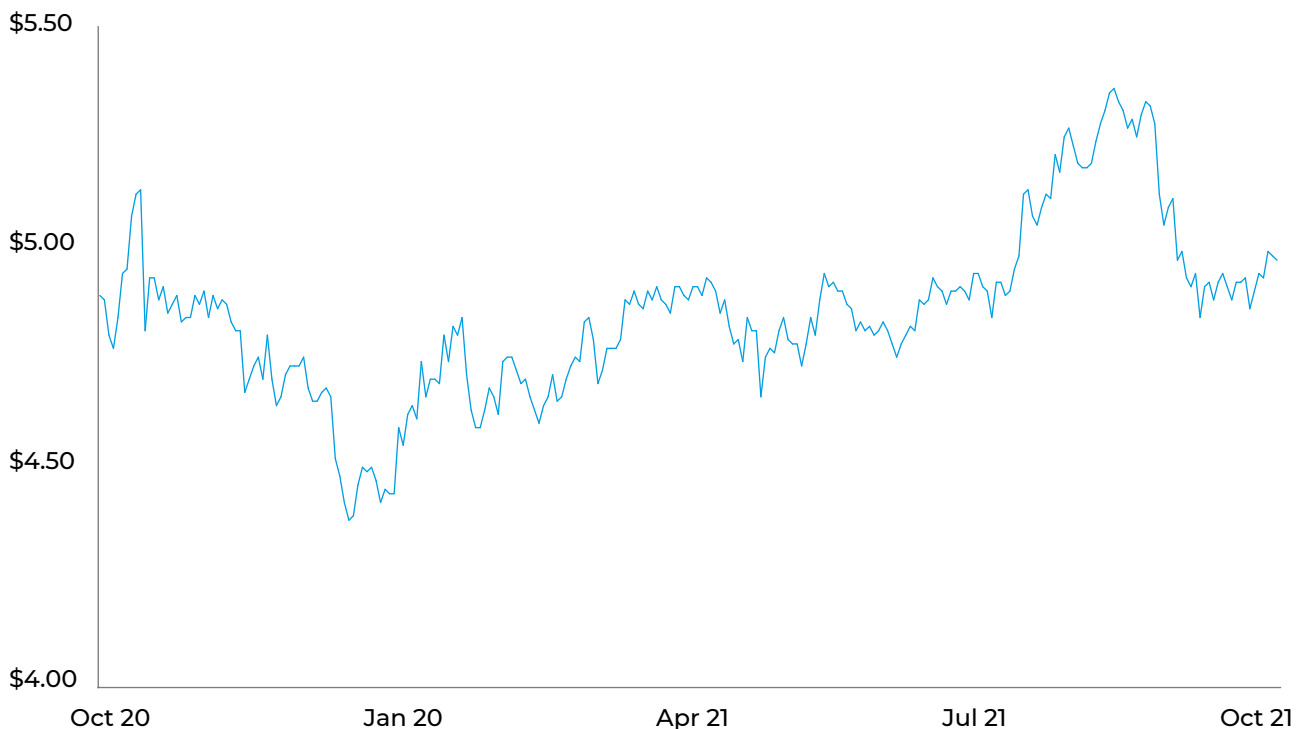
8.6 Recent security price history

As at 26 October 2021, being the last practicable trading date before the date of this Scheme Booklet:

- the last recorded trading price of CLW Securities was \$4.97; and
- the lowest and highest close prices of CLW Securities during the previous three months was \$4.84 and \$5.36 respectively.

As at 17 September 2021, being the last trading day before announcement of the Schemes, the last recorded trading price of CLW Securities was \$5.28.

Outlined in the chart below is CLW's closing price on ASX over the 12 months up to 26 October 2021.⁵⁰



None of the CLW Security prices referred to above should be taken as an indication of the likely price of CLW Securities following the implementation of the Schemes.

8.7 Material contracts

There are no material contracts to which the CLW Group is a party and which are in place which would be breached or adversely impacted by the Schemes.

⁵⁰ Source: Iress. Iress has not consented to the use of this information in the Scheme Booklet.

Further information about CLW and CLW Securities

8.8 Capital structure

The capital structure of CLW as at the date of this Scheme Booklet is as follows.

Security	Number of Securities
CLW Securities	634,236,723

8.9 Substantial Securityholders

The following persons have notified CLW of the fact that they have a substantial holding (within the meaning of the Corporations Act) in CLW Securities, based on substantial holder notice lodgements with ASX, which are available on the ASX website (www.asx.com.au).

Name	Date of latest notice	Holding	Percentage of CLW Securities on issue per latest notice
Trust Company Limited as custodian for Bieson Pty Limited as trustee of the Charter Hall Co-Investment Trust	29 September 2020	59,688,298	11.87%
BlackRock Group Inc. and its subsidiaries	11 January 2021	35,281,641	6.17%
The Vanguard Group Inc. and its controlled entities	4 November 2019	33,881,985	8.99%

8.10 Relevant Interests and other benefits of CHWALE and CLW Directors

As at the date of this Scheme Booklet, CHWALE does not have a Relevant Interest in any ALE Securities.

As at the date of this Scheme Booklet, the Relevant Interests in CLW Securities held by each CLW Director is as follows.

Name	Holding
Peeyush Gupta AM	397,676
Glenn Fraser	76,721
Ceinwen Kirk-Lennox	57,673
David Harrison	478,376
Carmel Hourigan	0

8.11 Corporate governance

CLW is committed to ensuring that its systems and practices reflect a high standard of corporate governance and its culture values exemplary ethical standards. Its governance frameworks also helps to set and achieve business objectives, assess and monitor risk, and balance the needs of its business, stakeholders, regulators and the market.

CLW's website, www.charterhall.com.au/investments/funds/clw, contains extensive information on the CLW Board, corporate governance (including its corporate governance statement), sustainability, property portfolio, unit price and all investor communications including distribution and tax information, reports and presentations, and profit results. Additionally, the policies referenced in this Section can be found on either CLW or the Charter Hall Group's website.

CLW strives to meet best practice by complying with the ASX Corporate Governance Council's Principles and Recommendations, which you can view at www.asx.com.au (**Corporate Governance Principles**).

(a) Board composition

The CLW Board has five board members, the majority of whom are independent, including an independent Chairperson. In accordance with the Corporate Governance Principles, the CLW Board assesses on an annual basis, or more regularly if required, whether CLW Directors are independent, and each CLW Director is required to provide information to the CLW Board in this regard.

(b) Board committees

The CLW Board has established an Audit, Risk and Compliance Committee (**ARCC**) to assist in the execution of its responsibilities. The ARCC operates under a specific charter, which can be found on CLW's website.

The charter states that the ARCC must have at least three non-executive members (a majority of whom are 'independent' directors) and be chaired by an 'independent' non-executive director.

The functions of the ARCC are to oversee and review:

- the internal control and accountability systems;
- the financial reporting process, including significant accounting issues and judgements;
- the internal systems of risk management and control (ensuring that material business risks are identified);
- compliance processes to meet legislative and regulatory requirements; and
- actions taken by management to address key risks delegated to the ARCC.

Whilst the Corporate Governance Principles recommend the establishment of a Nomination Committee, the CLW Board does not consider it is necessary or appropriate to constitute a Nomination Committee, given that CHWALE is a subsidiary of the Charter Hall Group. Similarly, the CLW Board does not consider it necessary or appropriate to have a Remuneration Committee as CHWALE does not employ staff directly.

(c) Conflicts of interest and related party transactions

The CLW Board has adopted a Conflicts of Interest Policy for managing conflicts that arise in the course of CLW's business so that the interests of its investor and tenant customers are protected. The policy provides a transparent framework for managing conflicts of interest to:

- enable compliance with CLW's legal and regulatory obligations;
- operate within the CLW Board's stated risk appetite in relation to conflicts of interest and related party transactions; and
- provide services that are not compromised or diminished by conflicts of interest.

The CLW Board has also adopted a Related Party Transaction Policy, which provide guidance on the management of related party transactions between Charter Hall Group-managed vehicles and their related parties. The policy broadly requires that:

- related party transactions be identified and conducted on arm's length terms;
- related party transactions be tested by reference to whether they meet market standards; and
- decisions about transactions between the CLW Group and other Charter Hall Group-managed vehicles, or its affiliates, be made by independent members of the CLW Board or investment committees.

(d) Diversity and inclusion

The CLW Group does not employ staff directly. Instead, all employees working within CLW's business are employed by the Charter Hall Group. The Charter Hall Group has developed and adopted a Diversity and Inclusion Policy which aims to promote a culture of openness matched by a safe, equitable and inclusive environment for our employees, customers and the communities they serve.

(e) Codes of conduct

The Charter Hall Group has various codes of conduct for employees and directors that are periodically reviewed and endorsed by the CLW Board. The codes ensure that those who provide services to the CLW Group conduct their business honestly and in accordance with ethical values and practices.

Further information about CLW and CLW Securities

In addition to the codes of conduct, the Charter Hall Group also has various policies that deal specifically with each person's responsibilities and accountabilities around reporting and investigating unethical behaviour, for example the Charter Hall Group has a Whistleblower Policy and an Anti-Bribery, Fraud and Corruption Risk Management Policy.

(f) Environmental and ethical considerations

CHWALE does not expressly take into account labour standards or environmental, social or ethical considerations for the purpose of selecting, retaining or authorising investments for CLW, however, these matters, together with environmental factors are addressed as part of normal property due diligence.

8.12 Rights and liabilities attaching to new CLW Securities

As noted in Section 4, the CLW Securities that will be issued as part of the Scheme Consideration will consist of stapled securities in the CLW Trusts. Each CLW Security consists of one fully paid ordinary unit in each of the CLW Trusts.

The rights and liabilities attaching to the CLW Securities are governed by a combination of the CLW Constitutions, the Corporations Act, the ASX Listing Rules and general law.

A general summary of some of the important features and rights attaching to the CLW Securities is set out below. However, this summary is not exhaustive and does not constitute a definitive statement of all rights and liabilities attaching to CLW Securities.

ALE Securityholders should seek their own advice when trying to establish their rights in specific circumstances.

8.13 Summary of CLW Constitutions

The key terms of the CLW Constitutions are as follows:

(a) Stapling Provisions

The CLW Constitutions are designed to provide for the operation of a single stapled trust. The CLW Constitutions contain provisions to ensure that each CLW Security is treated as one security to the extent permitted by law (the Stapling Provisions).

The Stapling Provisions are substantially consistent across the two CLW Constitutions, and the CLW Constitutions are to be read subject to the Stapling Provisions.

The Stapling Provisions essentially provide the following:

- as far as the law permits, a CLW Security will be treated as one security;
- the number of units in a CLW Trust on issue at any time must be equal to the number of units in the other CLW Trust on issue;
- no transfer of a unit in a CLW Trust is to occur without a unit in the other CLW Trust being transferred at the same time from the same transferor to the same transferee and vice versa; and
- no unit in a CLW Trust is to be issued unless a unit in the other CLW Trust is issued at the same time to the same person.

(b) Cessation of Stapling Provisions

Subject to the Corporations Act and the ASX Listing Rules, CHWALE may determine that the CLW Securities be unstapled without CLW Securityholder approval, and must do so if there has been a special resolution of CLW Securityholders in each case so long as ASX approves the unstapling and each other issuer has agreed to the unstapling, and the unstapling of the relevant CLW Securities is not contrary to the interests of CLW Securityholders as a whole. If the determination is made to unstaple the CLW Securities, the Stapling Provisions will cease to apply in respect of each CLW Security which is to be unstapled.

CHWALE also has the power to enter into a reorganisation of the relevant CLW Trust such as an exchange of CLW Securities for other securities, although CLW Securityholder approval by ordinary resolution would be required in some circumstances.

(c) Ranking of CLW Securities

Each CLW Security will be issued fully paid. From the date of issue or transfer, the CLW Securities will rank equally with all other CLW Securities on issue.

(d) Income and distributions to CLW Securityholders

Under each CLW Constitution, and subject to the terms of issue of particular units, unitholders are generally entitled to share in distributions in proportion to the number of units they hold.

Each CLW Constitution requires distributable income, if any, to be paid within three months of the last day of each financial year and any other dates as CHWALE designates.

If CHWALE approves, unitholders may choose to reinvest some or all of a distribution by acquiring additional units in the relevant CLW Trusts.

CHWALE may also distribute any amount of capital to unitholders pro rata at any time. Pro rata distributions may be in the form of cash or in the form of other assets.

CHWALE may undertake a capital reallocation by distributing capital between the CLW Trusts as an additional capital payment in respect of the relevant units.

(e) Transfer of CLW Securities

Subject to the Corporations Act and the ASX Listing Rules, while the CLW Securities are quoted for trading on ASX, they may be transferred by any method permitted by the operating rules of ASX's clearing and settlement facility, the Corporations Act, ASX or ASIC.

(f) Withdrawals

CLW Securities may not be redeemed while CLW is listed except by way of an on-market or off-market buy-back or withdrawal offer.

(g) Powers and delegation

CHWALE has powers to invest, borrow, grant all types of security, enter into an arrangement and generally manage each CLW Trust.

CHWALE has the power to staple units to any other security without the prior approval of unitholders.

CHWALE may amend the CLW Constitutions by deed, but must have the changes approved by a special resolution of unitholders if the Corporations Act requires.

(h) Meetings

While a CLW Trust is a registered managed investment scheme, unitholders' rights to requisition, attend and vote at meetings are as prescribed by the Corporations Act.

(i) Rights and limitation of liability of CHWALE

CHWALE may hold units in a CLW Trust and deal with itself as trustee of the applicable CLW Trust in another capacity, subject to the Corporations Act.

CHWALE is not liable in contract, tort or otherwise to ALE Securityholders for any loss suffered in any way relating to a CLW Trust except to the extent that the Corporations Act imposes such liability. CHWALE has a right of indemnity out of the assets of the CLW Trusts in respect of any liability incurred by it in properly performing or exercising any of its powers or duties in relation to a CLW Trust. This indemnity continues after CHWALE retires or is removed as responsible entity of a CLW Trust and is subject to the Corporations Act.

(j) CLW Securityholder liability

A unitholder's liability is limited to the amount, if any, which remains unpaid in relation to their units, except where CHWALE is entitled to be indemnified by the unitholder for tax or costs which are incurred as a result of, amongst other things, a unitholder's action or inaction. A unitholder need not indemnify CHWALE if there is a deficiency in the assets of the relevant CLW Trust or meet the claim of any creditor of CHWALE in respect of the relevant CLW Trust's assets.

Further information about CLW and CLW Securities

(k) CHWALE fees and expenses

The CLW Constitutions entitle CHWALE to be paid management fees from the assets of the CLW Trusts at a rate of 0.45% per annum of the gross value of assets of CLW Trusts. The CLW Constitutions also entitle CHWALE to receive an acquisition fee of 1.0% of the value of any interest in a real estate asset acquired directly or indirectly by CLW which is implied by the gross purchase price of the interest without deducting any liabilities such as debt funding assumed by CLW.

CHWALE is also entitled to receive a disposal fee equal to 1.0% of the value of any interest in a real estate asset disposed of directly or indirectly by CLW which is implied by the gross sale price of the interest without deducting any liabilities such as debt funding assumed by the purchaser.

CHWALE has appointed a manager to manage CLW under an asset services agreement. Under that agreement, the management, acquisition and disposal fees to which CHWALE is entitled as referred to above will be paid to the manager out of the assets of the relevant CLW Trust.

If a scheme or other arrangement occurs which results in 80% or more of all unitholders in the relevant CLW Trust disposing of their units in that trust, CHWALE will be entitled to a disposal fee equal to 1% of the value of all of the real estate assets of the CLW Trust. While CLW is listed, this fee is not payable in connection with a scheme or other arrangement in respect of CLW as a whole which results in 80% or more of all CLW Securityholders disposing of their CLW Securities as a whole or where the units in a CLW Trust are sold to the other CLW Trust.

CHWALE is also entitled to be paid or reimbursed from the assets of the CLW Trusts for its costs and expenses in connection with all aspects of performing the role of responsible entity. CHWALE may decide not to seek reimbursement of all costs and expenses.

CHWALE is entitled to be indemnified out of the CLW Trust's assets for the types of costs and expenses listed in the constitution and any other expenses incurred in the proper performance of its duties in relation to the CLW Trusts.

(l) Winding up

On winding up, each unitholder is entitled to receive a share of the value of the CLW Trusts' assets, after meeting all liabilities and expenses, proportionate to the number of units held. The CLW Trusts continue until the earlier of:

- the date specified by CHWALE in a notice to unitholders; or
- the date on which the applicable CLW Trust terminates in accordance with the applicable CLW Constitution or by law.

No units may be issued or redeemed after the 80th anniversary of the day before the day the applicable CLW Trust commenced unless that issue or redemption would not offend the rule against perpetuities or any other rule of law or equity.

(m) Small holdings

While the units are quoted on ASX, CHWALE may sell or redeem units without the request of a unitholder where the units comprise less than a marketable parcel.

CHWALE may only sell or redeem units once every 12 months after giving the unitholder written notice and at least six weeks from the date of that notice to notify the CHWALE that the unitholder wishes to retain the units.

(n) Reorganisations

Under the CLW Constitutions, CHWALE has specific powers to carry out certain types of reorganisation proposals in the future. A reorganisation proposal may include consolidating or dividing units in a CLW Trust or stapling and unstapling units in a CLW Trust to other units or securities.

The CLW Constitutions provide that each unitholder in the relevant CLW Trust appoints CHWALE as their agent and attorney to do all things CHWALE considers necessary, desirable or reasonably incidental to give effect to the reorganisation proposal. CHWALE will be required to act in accordance with its duty to act in the best interests of members when approving and carrying out any reorganisation proposal.

8.14 Continuous disclosure by CLW

CLW is a disclosing entity and is subject to regular periodic reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In particular, CLW has an obligation to immediately notify ASX if it becomes aware of any information which a reasonable person would expect to have a material effect on the price or value of CLW Securities (subject to limited exceptions).

CLW has developed and adopted a continuous disclosure and communications policy to assist it in fulfilling its continuous disclosure obligations in a timely and efficient manner.

Publicly disclosed information about all ASX-listed entities, including CLW, is available on ASX's website at www.asx.com.au.

Copies of documents lodged with ASIC in relation to CLW may be obtained from, or inspected at, an ASIC office. Please note that ASIC may charge a fee in respect of those services.

CLW will provide a copy of each of the following documents, free of charge, to any person on request prior to the Scheme Meetings:

- the CLW Constitutions;
- the annual report most recently lodged with ASIC by CLW;
- any half-year financial report lodged with ASIC by CLW after lodgement of the most recently lodged annual financial report and before the date of this Scheme Booklet; and
- any continuous disclosure notices for CLW given to ASIC by CLW after lodgement of the most recently lodged annual financial report and before the date of this Scheme Booklet.

Requests for copies of the above documents may be made by contacting CLW.

8.15 Fees and other expenses of the Schemes

CLW has appointed legal, accounting, tax and financial advisers. Each adviser is entitled to receive the usual professional fees in accordance with either time-based or success-based charges.

8.16 Complaint handling procedures

CLW maintains a comprehensive complaint resolution process. Complaints can be submitted in writing to:

Compliance Manager – Charter Hall Long WALE REIT
Charter Hall WALE Limited
Phone: 1300 365 585 (within Australia), +61 2 8651 9000 (outside Australia)
E-mail: reits@charterhall.com.au

In the event that a complaint cannot be resolved within a reasonable time frame (usually 45 days) or you are not satisfied with CLW's response, you can seek assistance from the Australian Financial Complaints Authority (AFCA), an external complaints resolution service that has been approved by ASIC.

AFCA's contact details are below:

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
Phone: 1800 931 678
Email: info@afca.org.au
Web: www.afca.org.au

8.17 No cooling-off rights

No cooling-off rights apply to the issue of CLW Securities described in this Scheme Booklet.

8.18 No other information

Except as disclosed elsewhere in this Scheme Booklet, so far as Consortium Acquirer is aware, there is no other information that is, at the date of this Scheme Booklet:

- material to the making of a decision by an ALE Securityholder whether or not to vote in favour of the Schemes; and
- known to Consortium Acquirer which has not previously been disclosed to ASX.

9. Profile of Merged Group following implementation of the Schemes

This Section 9 provides a profile of the Merged Group if the Schemes are implemented. A reference to the Merged Group in this Scheme Booklet is a reference to CLW (and its Controlled Entities) immediately after implementation of the Schemes (which, for the avoidance of doubt, will include ALE Group).

All figures in this Section 9 are as at 30 June 2021, as outlined in Section 8.2, and adjusted to include additional property acquisitions that have settled or are expected to settle prior to implementation of the Schemes. This includes five property acquisitions with a total value of \$112.5 million.

The information contained in this Section 9 has been prepared by CLW and constitutes 'CLW Information'. The information concerning CLW, and the intentions, views and opinions contained in this Section 9, are the responsibility of CLW.

9.1 Overview of the Merged Group

This Section 9.1 sets out a description of CLW from an operational and strategic perspective if the Schemes are implemented.

(a) CLW portfolio overview

Following implementation of the Schemes, CLW will continue to be Australia's largest and most diversified long WALE REIT, providing investors with attractive risk-adjusted returns from high quality Australian real estate.

The following table sets out CLW's key portfolio metrics both pre and post implementation.

	Pre-implementation ⁵¹	Post-implementation
Number of properties	472	550
Property value	\$5.7 billion	\$6.5 billion ⁵²
Occupancy	98.3%	98.4%
Weighted Average Lease Expiry (WALE)	13.2 years	12.6 years
Weighted Average Rent Reviews (WARR)	3.0%	2.9%
Proportion of Triple Net Leases	47%	51%
Portfolio review type weighting: CPI-linked review/Fixed review	39%/61%	45%/55%

(b) CLW portfolio mix

Following implementation of the Schemes, CLW will have scale and relevance across a broad spectrum of Australian long WALE real estate, with exposure to highly attractive industries and defensive tenant counterparties that are predominantly located along the eastern seaboard.

Following implementation, CLW's office exposure will decrease from 24% to 21% and its hospitality exposure will increase from 10% to 21%, with other key exposures being industrial (21%), social infrastructure (13%), convenience retail (11%), diversified long WALE retail (9%) and agri-logistics (5%).

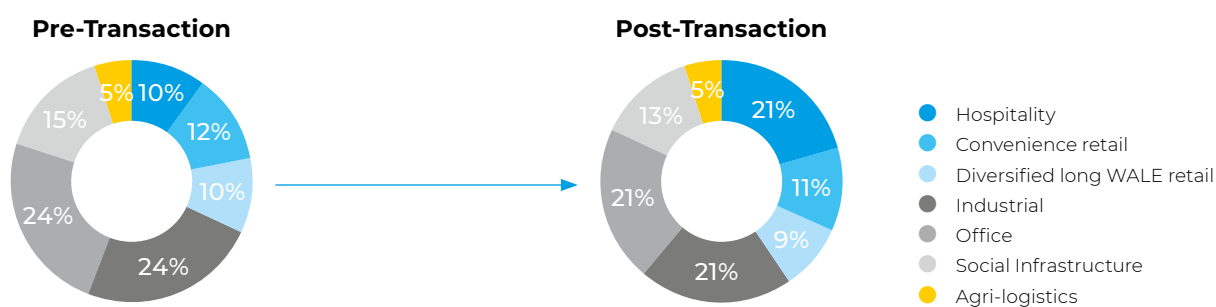
The following charts set out CLW's sector exposure both pre and post implementation⁵³

⁵¹ As at 30 June 2021, adjusted to include acquisitions post 30 June 2021 that have settled or are expected to settle prior to implementation of the Schemes.

⁵² Post implementation of the Schemes based on CLW's 50% share of total enterprise value consideration.

⁵³ Sector exposure weighted by property value (REIT ownership test). Total may not add to 100% due to rounding.

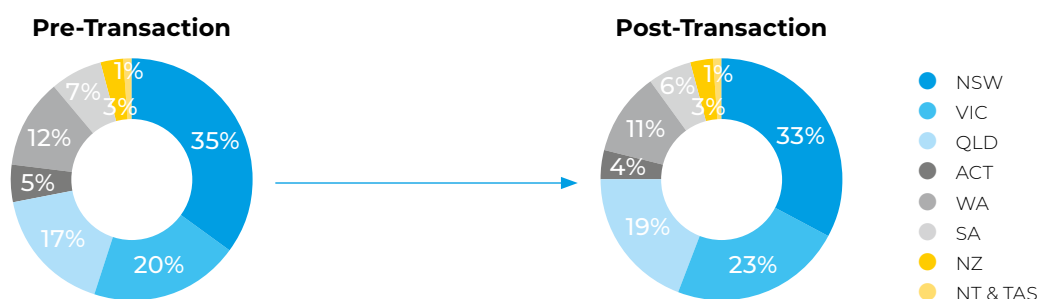
Portfolio by sector



Following implementation of the Schemes, CLW's exposure to the eastern seaboard will increase from 77% to 79%.

The following charts set out CLW's geographic exposure both pre and post implementation of the Schemes.⁵⁴

Portfolio by geography



CLW's tenant counterparties are predominantly high quality companies operating in resilient and defensive sectors. Following implementation of the Schemes, CLW's exposure to Endeavour Group, Australia's largest pub operator, will increase to 18%, becoming the largest tenant exposure in the CLW portfolio.

The following table sets out CLW's major tenant exposures post implementation of the Schemes.⁵⁵

Major tenants

Endeavour Group	18%
Government	18%
Telstra	13%
bp	10%
Ingham's	5%
Coles	4%
David Jones	4%

Major tenants

Metcash	4%
Arnott's	3%
Myer	3%
Bunnings	2%
Westpac	2%
SUEZ	2%
Linfox	1%

(c) CLW weighted average lease expiry

Following implementation of the Schemes, CLW will maintain a long portfolio WALE of 12.6 years. This is expected to enable CLW to deliver a stable income stream to investors over the long term.

The following charts set out CLW's WALE post implementation of the Schemes.⁵⁶

⁵⁴ Sector exposure weighted by property value (REIT ownership test). Total may not add to 100% due to rounding.

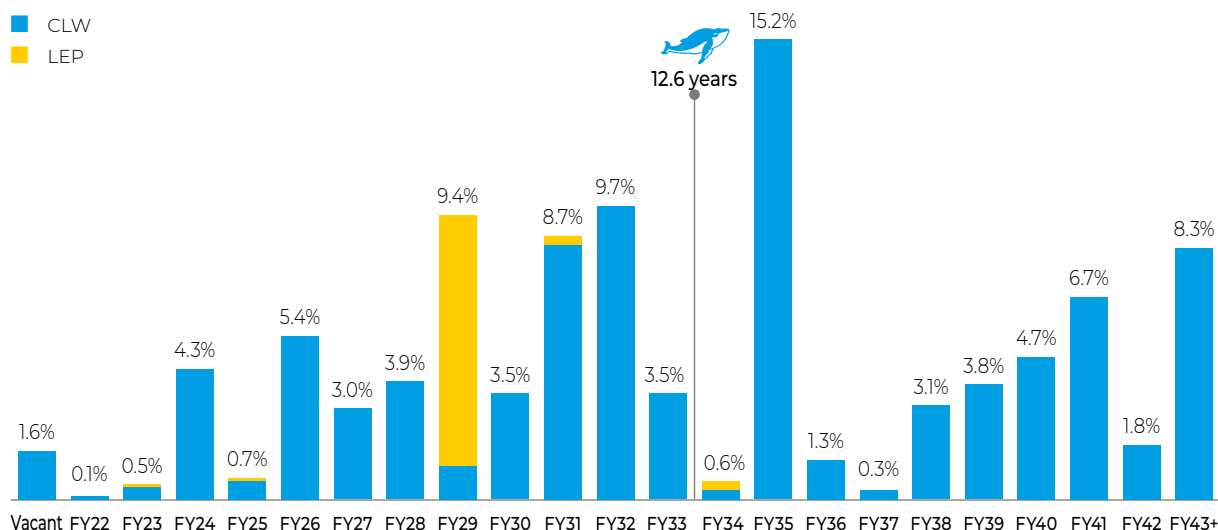
⁵⁵ Weighted by net passing income as at 30 June 2021, adjusted to include the Schemes and acquisitions post 30 June 2021 that have settled or are expected to settle prior to implementation of the Schemes.

⁵⁶ Weighted by net passing income as at 30 June 2021, adjusted to include the Schemes and acquisitions post 30 June 2021 that have settled or are expected to settle prior to implementation of the Schemes.

Profile of Merged Group following implementation of the Schemes

Long portfolio WALE

Long portfolio WALE of 12.6 years post Transaction



(d) Merged Group fees and expenses

The Merged Group will be externally managed by Charter Hall Group, in contrast to ALE's internalised management structure. Charter Hall Group will be entitled to be paid a funds management fee of 0.45% per annum of gross asset value. In addition, Charter Hall Group will also be entitled to be paid or reimbursed for its costs and expenses in connection with all aspects of performing the role of responsible entity. Further information on the fee arrangements with Charter Hall Group is summarised in Section 8.13.

As the Merged Group will be externally managed, the cost model is different to ALE's current internalised management structure. As a result, the Merged Group will no longer incur the costs associated with the ALE Group's current management structure, which were approximately \$7.80 million for the financial year ending 30 June 2021. It should be noted that the ALE Group's FY21 management costs included a number of one-off expenses of approximately \$1.42 million for items such as the Victorian Litigation and CEO transition expenses.

9.2 CLW's intentions following implementation of the Schemes

CLW's intentions in respect of ALE Group post implementation of the Schemes are the same as the intentions of Consortium Acquirer and Consortium Acquirer Nominee. Consortium Acquirer and Consortium Acquirer Nominee's intentions are set out in Section 7.5.

9.3 Overview of Merged Group

The financial information set out in Sections 9.3 to 9.8 has been prepared by CLW and includes the following financial information with information relating to ALE Group based on due diligence information provided by ALE:

- a **Pro Forma Consolidated Statement of Financial Position** of the Merged Group as at 30 June 2021 as set out in Section 9.5; and
- **Forecast Operating Earnings Per Security (OEPS)** for the Merged Group for the 12 months ending 30 June 2022 (**FY22**) as set out in Section 9.6.

The Pro Forma Consolidated Statement of Financial Position and the Forecast OEPS are together the Pro Forma Financial Information.

The Pro Forma Financial Information presented in this Scheme Booklet is provided for illustrative purposes and may not reflect the financial performance or position of the Merged Group that would have resulted had the Schemes actually been implemented on the date indicated. The CLW Directors do not guarantee the future performance of CLW whether or not the Schemes are implemented.

The Pro Forma Financial Information should be read in conjunction with the investment risks set out in Section 10 and other information set out in this Scheme Booklet.

All amounts disclosed in the tables are presented in Australian dollars (\$) and are rounded to the nearest \$0.1 million dollars unless otherwise noted.

9.4 Basis of preparation

The Pro Forma Financial Information contained in Section 9 has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (AAS) and the accounting policies referenced in Section 9.8 except for:

- the following matters which affect the calculation of OEPS:
 - net fair value movements in investment properties and derivatives;
 - non-cash accounting adjustments such as straight-lining to rental income and amortisation of lease incentives; and
 - other unrealised or one-off items;
- adjustments which have been prepared in a manner consistent with the AAS to reflect:
 - the recognition of certain items in periods different from the applicable periods under AAS; and
 - the impact of certain transactions undertaken post 30 June 2021 that have completed or are expected to complete prior to the Implementation Date.

In addition, the Pro Forma Financial Information is presented in an abbreviated form and does not include all of the presentation disclosures, statements or comparative information as required by the AAS applicable to annual general purpose financial reports prepared in accordance with the Corporations Act.

(a) Pro Forma Consolidated Statement of Financial Position

The Pro Forma Consolidated Statement of Financial Position presents the impact of the acquisition of ALE Group on CLW's financial position as at 30 June 2021 and is based on the following information:

- **CLW's consolidated statement of financial position as at 30 June 2021** – based on CLW's audited consolidated statement of financial position as at 30 June 2021 and adjusted for certain post balance date events, including:
 - \$366.4 million of direct property acquisitions (plus \$26.8 million of associated transaction costs) that have completed. These transactions (and associated costs) are assumed to be funded using \$376.3 million of debt and \$17.0 million of equity (approximately 3.7 million new CLW Securities issued);
 - \$13.1 million of equity accounted property acquisitions (plus \$0.9 million of associated transaction costs) that have completed. These transactions (and associated costs) are assumed to be funded using \$14.0 million of debt (at the equity accounted JV trust level); and
 - \$11.4 million of equity raised from CLW's Distribution Reinvestment Plan in respect of the June 2021 quarter (including the issuance of approximately 2.4 million new CLW Securities), with proceeds assumed to reduce CLW debt;
- **ALE Group's consolidated statement of financial position as at 30 June 2021** – based on ALE Group's audited consolidated statement of financial position as at 30 June 2021 and adjusted for certain post balance date events, including:
 - \$75.5 million of net proceeds from property divestments that have completed (proceeds assumed to reduce net debt)
- **Transaction impacts** – the impacts arising from implementation of the Schemes.

(b) Forecast OEPS

The CLW Directors have considered the requirements of applicable law and practice, including ASIC Regulatory Guide 170, in concluding that a forecast statement of comprehensive income for the Merged Group cannot be provided as it does not have a reasonable basis for such forecasts.

As an alternative, CLW has provided forecast Operating Earnings per Security (OEPS) for the Merged Group. OEPS is used by the CLW Directors as a measure of CLW's profitability and provides investors with the same basis that is used internally for evaluating performance, making strategic decisions

Profile of Merged Group following implementation of the Schemes

and determining distributions during the year. OEPS represents profit under AAS adjusted for net fair value movements, non-cash accounting adjustments such as straight-lining of rental income and amortisations and other unrealised and one-off items (on a per security basis) that are not in the ordinary course of business or are capital in nature. OEPS includes the rental revenue recognised in respect of tenants who have been (or will be) provided with rent free incentives as a result of COVID-19. This approach is consistent with CLW's treatment of rent free incentives provided in the ordinary course of its operations which are amortised over the term of the lease.

Forecast OEPS for the Merged Group for FY22 is based on the following information:

- CLW's stand-alone OEPS forecast for the year ended 30 June 2022, based on information currently available and barring any unforeseen events; and
- transaction impacts assuming the Schemes are implemented on the Implementation Date.

While the CLW Directors believe the assumptions used in preparing the Forecast OEPS are appropriate and reasonable at the time of preparation, some events and circumstances are beyond the control of the CLW Directors and often do not occur as expected. As a consequence, actual results may differ significantly from the Forecast OEPS provided. The CLW Directors do not guarantee that the Forecast OEPS provided will be achieved and ALE Securityholders are advised to carefully consider both the investment risks detailed in Section 10 and the assumptions used in preparing the Forecast OEPS.

(c) Adjustments relating to the impact of acquisition accounting

Consortium Acquirer has been established in order to acquire ALE Scheme Units. CLW and Hostplus will have joint control over Consortium Acquirer and as a result the Pro Forma Financial Information reflects CLW's equity accounting for its interest in Consortium Acquirer as per AASB1028 Investments in Associates and Joint Ventures.

AASB1028 requires CLW to initially record the investment at cost which is subsequently increased or decreased to record CLW's share of the profit or loss of Consortium Acquirer.

For the purpose of the Pro Forma Financial Information, the cost of the investment in Consortium Acquirer is equal to CLW's share of the net assets of the Consortium Acquirer at cost, which includes CLW's share of Scheme Consideration to be paid to ALE Scheme Securityholders. The Scheme Consideration includes CLW Securities and cash. The Scheme Consideration paid for each ALE Security assumes an exchange ratio of 0.408 CLW Securities and cash of \$3.673. The total consideration, assuming a CLW Security value of \$4.92 (which was the close price per CLW Security on 30 July 2021, being the date of the Non-Binding Indicative Offer), is \$5.68 per ALE Security.

For accounting purposes, the value of the consideration paid to ALE Scheme Securityholders will be measured based upon the value of CLW Securities at the close of trading on the Implementation Date. The final value of the purchase consideration for accounting purposes may therefore differ from the amount assumed for the purposes of the Pro Forma Financial Information.

(d) Accounting policies

In preparing the Pro Forma Financial Information, CLW has not identified any material accounting policy differences where the impact is potentially material to the Merged Group and can be reliably estimated.

Although no material differences were identified, accounting policy differences may be identified after implementation of the Schemes.

9.5 Pro Forma Consolidated Statements of Financial Position

The table below outlines the Pro forma Consolidated Statements of Financial Position assuming the Schemes are implemented and Consortium Acquirer acquires 100% of ALE Scheme Units. CLW will equity account for its 50% interest in Consortium Acquirer.

		CLW	Subsequent Events	CLW	Transaction Adjustments	Merged Group
	Note	30 June 2021 (\$m)	(\$m)	Pro forma as at 30 June 2021 (\$m)	(\$m)	Pro forma as at 30 June 2021 (\$m)
Assets						
Cash		77.0		77.0		77.0
Investment properties		3,092.9	366.4	3,459.3		3,459.3
Equity accounted investments	A	1,473.4	(0.9)	1,472.5	777.5	2,250.0
Other assets		44.1	5.0	49.1	3.6	52.7
Total assets		4,687.4	370.5	5,057.9	781.1	5,839.0
Liabilities						
Provision for distribution		46.5		46.5		46.5
Debt	B	1,340.8	369.8	1,710.7	404.5	2,115.2
Unamortised borrowing costs		(5.7)		(5.7)	(2.3)	(7.9)
Other liabilities		26.6		26.6		26.6
Total liabilities		1,408.3	369.8	1,778.1	402.3	2,180.4
Net assets		3,279.1	0.7	3,279.8	378.8	3,658.6
Equity						
Contributed equity	C	2,792.0	28.4	2,820.5	402.7	3,223.1
Reserves		(0.4)		(0.4)		(0.4)
Retained profits	D	487.4	(27.7)	459.7	(23.9)	435.8
Total equity		3,279.1	0.7	3,279.8	378.8	3,658.6
Securities on issue (millions)	C	628.2	6.0	634.2	81.8	716.1
NTA per security (\$)		5.22		5.17		5.11
Balance Sheet Gearing¹		27.4%		32.8%		35.4%
Look Through Gearing²		36.5%		40.8%		42.5%

Note:

- Balance Sheet Gearing calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash.
- Look Through Gearing calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash, based on the non-IFRS pro forma proportionately consolidated statement of financial position, which adjusts for CLW's share of the debt, assets and cash held in equity accounted investments.

Profile of Merged Group following implementation of the Schemes

Subsequent Events

Refer to Section 9.4(a) for a summary of CLW subsequent events.

Transaction Adjustments

- Investments accounted for using the equity method increase by \$777.5 million to reflect CLW's 50% interest in the net assets of Consortium Acquirer at cost. Consortium Acquirer acquires ALE Scheme Units at the bid price and refinances all of ALE's interest bearing liabilities except for ALE's Capital Indexed Bond.
- CLW interest bearing liabilities increase by \$404.5 million to fund its share of the cash consideration (including amounts to refinance existing ALE Group debt) and transaction costs.
- Contributed equity increases by \$402.7 million reflecting the issue of approximately 81.8 million CLW Securities to ALE Scheme Securityholders as part of the Schemes, assuming a CLW Security value of \$4.92 (which was the close price per ALE Security on 30 July 2021, being the date of the Non-Binding Indicative Offer).
- Retained profits decrease by \$23.9 million reflecting CLW transaction costs.

9.6 Forecast OEPS

The table below provides a summary of:

- Consortium Acquirer's assessment (based on due diligence information made available by ALE) of ALE's standalone FY22 OEPS if the Schemes are not implemented;
- the Merged Group's forecast OEPS for FY22, assuming implementation of the Schemes on the Implementation Date; and
- the Merged Group's forecast OEPS for FY22 expressed on an ALE equivalent security basis, and the change relative to ALE's standalone forecast.
 - ALE equivalent security basis is a theoretical concept based on a scrip exchange ratio of 1.1546 CLW securities per ALE Security.
 - An ALE Scheme Securityholder will only receive 1.1546 CLW Securities for each ALE Security owned if, subject to eligibility criteria, the ALE Scheme Securityholder elects to receive and is allocated 100% Scrip Consideration.
 - Alternatively, this outcome could only be achieved if any cash consideration received by an ALE Scheme Securityholder was used to acquire CLW Securities on market at a price of \$4.92 per CLW Security.

	Pre Schemes	Post Schemes		
	ALE Group standalone (cps)	Merged Group (cps)	ALE equivalent security (cps)	ALE equivalent vs. standalone (%)
FY22 OEPS	15.9	30.5	35.2	122.1%

In preparing the Forecast OEPS, the following best estimate assumptions have been adopted:

(a) ALE Group standalone assumptions⁵⁷:

- Net property income forecast on a property-by-property basis.
- Corporate overheads based on existing employee arrangements and supplier contracts.
- Borrowing costs based on ALE Group's existing debt facilities, interest rate hedging instruments and assumed market interest rates.

(b) CLW standalone assumptions

- Net property income forecast on a property-by-property basis.
- Management costs and trust expenses based on existing management structure.
- Borrowing costs based on CLW's existing debt facilities, interest rate hedging instruments and assumed market interest rates

⁵⁷ Based on due diligence information made available by ALE.

(c) Transaction assumptions

- Schemes are implemented on the Implementation Date.
- Consortium Acquirer acquires 100% of ALE Scheme Units.
- Consortium Acquirer refinances all of ALE Group's existing debt, excluding the Capital Indexed Bonds which are kept in place.
- ALE Group converts from an internal to an external management structure, eliminating all existing management and corporate overhead costs, with the exception of costs directly related to the Capital Indexed Bonds.
- CLW contributes 50% of Consortium Acquirer's funding (including transaction costs) via the issuance of approximately 81.8 million CLW Securities to ALE Scheme Securityholders and \$404.5 million of cash (via CLW balance sheet debt).
- CLW entitled to 50% of Consortium Acquirer's earnings and cashflows.

(d) General assumptions for the Merged Group pro forma

- No further property acquisitions or divestments in the forecast period.
- No fair value adjustments to investment properties or derivatives in the forecast period.
- No material contract disputes or litigation in the forecast period other than previously disclosed by ALE.
- No material change in the operating environment (competitive or COVID-19 related).
- No material changes to accounting policies or the Corporations Act in the forecast period.
- No material change to macroeconomic conditions, including forecast interest rates and consumer price index.
- No material changes in Australian tax legislation.
- No significant change to legislative or regulatory environment.
- All existing leases are enforceable and perform in accordance with their terms.

9.7 Distribution guidance for FY22

As announced on ASX on 20 September 2021, CLW's OEPS guidance for FY22, including the Proposal, is growth of no less than 4.5% over FY21 OEPS of 29.2 cents per CLW Security, which implies FY22 OEPS of no less than 30.5 cents per CLW Security. Based on CLW's target 100% OEPS payout ratio, CLW's FY22 implied distributions per security (DPS) is no less than 30.5 cents per CLW Security. CLW has declared a distribution of 7.62 cents per CLW Security for the first quarter of FY22. Based on CLW's implied FY22 full year DPS of no less than 30.5 cents per CLW Security, CLW is expected to pay cumulative distributions of no less than 22.88 cents per CLW Security across the remaining three quarters of FY22.

As announced on ASX on 4 August 2021, ALE's distribution guidance for FY22 is 22.0 cents per ALE Security. ALE has declared a distribution of 5.5 cents per ALE Security for the first quarter of FY22. Based on the full year guidance, in the absence of the Proposal, ALE is therefore expected to pay cumulative distributions of 16.5 cents per ALE Security across the remaining three quarters of FY22.

If the Schemes are implemented prior to the record date for CLW's December 2021 quarter distribution, it is expected that ALE Scheme Securityholders will receive CLW's distribution for the December, March and June quarters of FY22, which is expected to be no less than 22.88 cents per CLW Security. On an ALE equivalent security basis (refer to Section 9.6), this is equivalent to 26.4 cents per ALE Security, which is 60% higher than ALE's current distribution guidance for the corresponding period.

	Pre Schemes	Post Schemes		
	ALE Group standalone (cps)	Merged Group (cps)	ALE equivalent security (cps)	ALE equivalent vs. standalone (%)
FY22 DPS (9 months, December 2021 quarter to June 2022 quarter)	16.5	22.88	26.4	60%

Profile of Merged Group following implementation of the Schemes

9.8 Key accounting policies

The accounting policies used to prepare the financial information in Sections 9.3 to 9.7 are based on the current accounting policies of CLW and ALE, as outlined in their respective annual financial reports for the financial year ended 30 June 2021.

10. Risks

10.1 Overview of risks

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

There are a range of factors (which are both specific to the Merged Group and of a general nature) which may, either individually or in combination, affect the future operating performance, financial position, regulation, legal position, implementation of strategy or reputation of the Merged Group.

This Section 10 outlines:

- (a) specific risks that arise from the Schemes;
- (b) specific risk factors relating to CLW following implementation of the Schemes;
- (c) specific risk factors relating to CLW Securities; and
- (d) other general risks of CLW following implementation of the Schemes.

A significant number of these risks are, or will be, risks that ALE Group is already exposed to whether or not the Proposal is implemented. However, as the nature of the Merged Group's business will change from that of the standalone business of ALE Group, ALE Scheme Securityholders will potentially be exposed to additional risks in respect of the Merged Group. Many of the circumstances giving rise to these risks are beyond the control of the Merged Group, its directors and management.

You will not be exposed to the risks described in Section 10.3, 10.4 and 10.5 if the Schemes are implemented and you receive only the Cash Consideration.

The risks summarised below and the information set out in this Section 10 should be considered in conjunction with other information contained in this Scheme Booklet and are:

- (a) a summary only and should not be considered exhaustive. This Section 10 does not purport to list every risk that may be associated with an investment in the Merged Group now or in the future, and the occurrence or consequences of some of the risks described in this Section 10 may be partially or completely outside the control of ALE Group or Consortium Acquirer Group or their respective directors and management; and
- (b) considered general and have been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any ALE Securityholder or any other person.

You should carefully consider the risk factors discussed in this Section 10, as well as other information contained in this Scheme Booklet before voting on the Proposal.

10.2 Specific risks that arise from the Schemes

(a) Scheme Consideration

Under the Proposal, ALE Scheme Securityholders may elect to receive one of three Scheme Consideration alternatives being Mixed Consideration, Maximum Cash Consideration or Maximum Scrip Consideration. The Maximum Cash Consideration and Maximum Scrip Consideration alternatives are both subject to the Scaleback Arrangements and therefore there is a risk that some or all ALE Scheme Securityholders may not receive their preferred form of consideration.

Further, ALE Scheme Securityholders will not know how many (if any) CLW Securities they will receive when they make an Election. See Section 4.3 for further details.

(b) Value of scrip consideration is not certain

ALE Scheme Securityholders will be offered new CLW Securities as consideration under the Schemes. In addition, the Sale Agent will be issued new CLW Securities attributable to Ineligible Foreign Securityholders who elect, or are deemed to have elected to receive, new CLW Securities and will be seeking to sell those securities on ASX as soon as reasonably practicable.

The value of the consideration for these ALE Scheme Securityholders will fluctuate and may significantly vary from the market value of CLW Securities on the date of this Scheme Booklet or the Scheme Meetings.

Risks

There is no guarantee regarding the market price that will be realised by the Sale Agent or the future market price of new CLW Securities. Future market prices may be either above or below current or historical market prices.

(c) Court delays

There is a risk that some or all of the aspects of the court approval and judicial advice process required for the Company Scheme and Trust Scheme, respectively, to be implemented may be delayed by any requests by the Court, the nature of the Court's orders (for example the Court requires certain steps to be taken) or the timing for provision of the orders.

Court approval of the Company Scheme and receipt of judicial advice in respect of the Trust Scheme are Conditions Precedent of the Schemes under the Scheme Implementation Deed. In the event of any delay, the Schemes would not be able to proceed to implementation unless satisfaction or, in the case of the judicial advice only, waiver of each Condition Precedent occurs. If the Condition Precedents are not satisfied or waived by both parties by the End Date, the Scheme Implementation Deed will terminate and the Schemes will not proceed unless the parties agree to extend the End Date.

(d) December quarter Permitted Distribution

Whilst it is currently expected that the Schemes will become Effective and be implemented in December 2021, there is a risk that there is an unforeseen delay in the timetable (including as a result of any Court delays referred to in Section 10.2(c) above).

If the Schemes have not been implemented by 31 December 2021, any distribution declared or determined by ALE in respect of the 3 month period ending on 31 December 2021 will be a Permitted Distribution and the Scheme Consideration will be reduced by the value of such Permitted Distribution.

(e) Due diligence

Before entering into the Scheme Implementation Deed, Consortium Acquirer conducted due diligence on ALE Group and its assets. There is a risk Consortium Acquirer may not have conducted due diligence on all material information and that any assumptions made during the due diligence period may prove to be false or incorrect.

Furthermore, after implementation of the Schemes, the Merged Group may be subject to unknown liabilities of ALE Group which may have an adverse effect on the Merged Group's performance and financial condition.

(f) Assumptions by CLW

CLW has made various assumptions in estimating the Pro Forma Financial Information included in Section 9. There is a risk that those assumptions may not be accurate.

(g) Tax consequences for ALE Scheme Securityholders

If the Proposal is implemented, there may be tax consequences for ALE Scheme Securityholders. ALE Scheme Securityholders should seek their own professional advice regarding the individual tax consequences of the Proposal applicable to them.

(h) Trading during deferred settlement trading period

ALE Scheme Securityholders will not necessarily know the exact number of new CLW Securities they will receive as Scheme Consideration (if any) until a number of days after those securities can be traded on ASX on a deferred settlement basis. ALE Scheme Securityholders who trade CLW Securities on a deferred settlement basis without knowing the number of CLW Securities they will receive as part of the Scheme Consideration (if any) may risk adverse financial consequences if they purport to sell more CLW Securities than they receive.

10.3 Specific risk factors relating to CLW following implementation of the Schemes

(a) Impact of COVID-19

The ongoing COVID-19 pandemic has had a significant impact on the Australian and global economy and the ability of individuals, businesses, and governments to operate. Across Australia and the world, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic. In addition, events relating to COVID-19 have resulted in significant market falls and volatility, including in the prices of securities trading on ASX (including the price of CLW Securities) and on other foreign securities exchanges. There continues to be considerable uncertainty as to the duration of and further impact of COVID-19 including (but not limited to) in relation to government, regulatory or health authority actions, employment schemes, work stoppages, lockdowns, quarantines and travel restrictions, and on what affect such factors may have on CLW, tenants of CLW's properties, the Australian economy and securities markets. The impact of some or all of these factors could cause significant direct disruption to CLW's operations and financial performance.

The extent to which COVID-19 related factors will have an impact on CLW will, in large part, depend on the extent to which tenants of CLW's properties are themselves adversely affected and able to pay rent to CLW. The medium-term prospects of such businesses, and in turn their ability to meet rental payments, is partially dependent on how and when local, state and federal government agencies decide to moderate current and future lockdown measures in light of COVID-19 (both generally and as they apply to CLW's tenants).

Furthermore, in addition to its tenants, CLW's financial position may be adversely impacted if some of its suppliers (including builders, financiers and property managers) are unable to successfully implement business continuity plans in the current environment or if any such stakeholders are unable to continue as going concerns as a result of the economic impact of COVID-19. The spread of COVID-19 has already resulted in governmental authorities in Australia and overseas imposing a variety of measures restricting day to day life, including quarantines and travel restrictions of varying scope. This has resulted in significant disruptions to the Australian and global economy, including amongst others, property management, hospitality, childcare, travel, retail, tourism, health systems, food and manufacturing supply chains, consumption and overall economic output, which in turn has caused lower interest rates and significant volatility in global financial markets.

However, the extent of the impact on CLW's business, results of operations, financial condition, liquidity and cash flows is dependent on future circumstances, which are highly uncertain and not predictable, including the scale of COVID-19 and actions taken to address its impact.

These factors are beyond CLW's control and could have a material adverse effect on the overall business sentiment and environment, causing material uncertainties, causing CLW's business to suffer in ways that cannot be predicted, and which may materially adversely impact CLW's business, financial condition and results of operations.

(b) Contract risk

Some contracts to which ALE is a party may contain 'change of control' provisions (or equivalent) that could be triggered by implementation of the Schemes, allowing the counterparty to renegotiate or terminate the contract. If a counterparty to any such contract were to terminate or seek to renegotiate the contract this may have an adverse effect on CLW, depending on the relevant contract.

(c) Integration risk and realisation of synergies

The integration of ALE's business into the broader Charter Hall Group may encounter unexpected challenges or issues. These include (but are not limited to) a failure to obtain necessary consents or unexpected delays, challenges, liabilities and costs in relation to, but not limited to, integrating operating and management systems such as IT, information or accounting systems, or that ALE's business diverts management attention or does not deliver the expected benefits (including synergy benefits) and this may affect CLW's operating and financial performance.

(d) Change in risk and investment profile

Following implementation of the Schemes, ALE Scheme Securityholders (who elect or are deemed to elect to receive CLW Securities) will be exposed to additional risk factors relating to CLW. For example,

Risks

CLW's portfolio of assets is different from that of ALE Group, as CLW's portfolio includes industrial, logistics and office real estate assets (among others).

Additionally, CLW's risk and investment profile will change following implementation of the Schemes. For example, CLW's weighted average lease expiry is expected to decrease from 13.2 years to 12.6 years on implementation of the Schemes.

(e) Tenants and rental income

Distributions made by CLW are largely dependent on the rents received from tenants across the portfolio and expenses incurred during operations, which may be affected by a number of factors, including overall economic condition, the financial circumstances of tenants (as at the date of this Scheme Booklet and in the future), the ability to negotiate lease extensions or replace outgoing tenants with new tenants, the occurrence of rental arrears or any vacancy periods, reliance on a tenant which leases a material portion of CLW's portfolio, an increase in unrecoverable outgoings, and supply and demand in the property market.

Australian Governments have introduced certain laws (and are expected to introduce other laws) which limit the rights of landlords to enforce certain rights under existing leases and in certain cases, mandating the provision of rent relief to tenants. These include the requirement to offer reductions in rent (as waivers or deferrals) based on a tenant's reduction in trade during the COVID-19 pandemic period. In some cases, CLW's ability to manage tenant performance issues is limited by moratorium legislation restricting the ability of landlords to manage tenant performance impacted by COVID-19. These laws may be extended for further time periods and/or expanded to provide relief to a broader range of tenants.

Any negative impact on rental income (including as a result of a failure of existing tenants to perform existing leases in accordance with their terms, which is heightened in the current economic environment) has the potential to decrease the value of CLW Securities and have an adverse impact on distributions or both.

(f) Tenant concentration

The majority of the properties comprising CLW's portfolio are single tenanted. Additionally, on implementation of the Schemes, CLW's exposure to Endeavour Group, will increase, as all ALE Group's hospitality venues are leased to Endeavour Group. This exposes the value and performance of each property to the ability of those tenants to continue to meet their obligations under the respective lease agreements. There is a risk that if one or more of the major tenants cease to be a tenant, CLW may not be able to find replacement tenants on lease terms that are at least as favourable as the current terms. Should replacement tenants lease the property on less favourable terms this will adversely impact the returns and the overall performance of CLW and value of the properties. CLW actively manages the tenant selection process to manage this risk.

(g) Re-leasing and vacancy risk

In the longer term, CLW's portfolio leases will come up for renewal on a periodic basis (including, following implementation of the Schemes, ALE Group's portfolio leases). There is a risk that CLW may not be able to negotiate suitable lease renewals with existing tenants, maintain existing lease terms, or replace outgoing tenants with new tenants, particularly in the current commercial real estate market. This may result in a reduction in CLW's operating earnings and distributions and a reduction in the value of the assets of CLW.

(h) Unrealised capital gains

As CLW is already established, there is a risk that unrealised capital gains exist within the portfolio.

As such, the disposal of an existing property may crystallise a capital gain that will be distributed to investors and will need to be included in the calculation of the investor's taxable income. The impact of this will depend on a number of factors including the price and timing of the sale and the profile of the investor.

(i) Property liquidity

By their nature, investments in real property assets are illiquid investments, and there is a risk that should CLW be required to realise property assets, it may not be able to do so in a short period of time, or may not be able to realise a property asset for the amount at which it has been valued. This may adversely affect CLW's net tangible assets and the value of securities in CLW.

(j) Development risk

CLW will focus on sustainable income returns and minimising development risk. CLW will not undertake speculative development. Any development risk will be substantially mitigated through fixed price construction contracts, and undertaking pre-leasing activities relating to the development, both prior to and during, construction. CLW will endeavour to achieve a level of pre-commitment appropriate to the project prior to commencing development activities.

(k) Capital expenditure

CLW will be responsible for capital expenditure that may arise. However, in respect of CLW's Triple Net Lease portion of the portfolio, the tenant is generally responsible for all outgoings and capital expenditure related to the property. There is a risk that the actual required capital expenditure may exceed currently expected expenditure which could lead to increased funding costs and impact distributions. Additionally, any requirement for unforeseen material capital expenditure on the properties could impact the performance of CLW.

(l) Further acquisitions

CLW will continue to identify new investment opportunities for potential acquisition. CLW will endeavour to conduct all reasonable and appropriate due diligence on potential investment opportunities. There is a risk that CLW will be unable to identify suitable investment opportunities that meet CLW's investment objectives. Even if such opportunities are identified, they may not be able to be secured on appropriate terms. These factors may restrict CLW's ability to add investments to its portfolio and this may adversely impact growth and returns to CLW Securityholders.

(m) Changing investor demand for property investments

The demand for property and listed property securities such as CLW Securities may change as investor preferences for particular sectors and asset classes change. The demand for property as an asset class may change over time and can be influenced by general economic factors such as interest rates, stock market cycles and exchange rates.

(n) Reputational risk

While CLW has exposure to the hospitality, pubs and gaming industries as a landlord through its Long WALE Investment Partnership, CLW may be exposed to reputational risks as CLW will have greater exposure to those sectors following implementation of the Schemes.

(o) Disputes and litigation

CLW may in the ordinary course of business be involved in possible litigation and disputes (for example, tenancy disputes, occupational health and safety claims or third party claims). Whilst the extent of any disputes and litigation cannot be ascertained at this time, any dispute or litigation may be costly and may adversely affect the operational and financial results of CLW.

(p) Property valuation risk

The value of each property held by CLW, and those it may hold in the future (including ALE Group's properties), may fluctuate due to a number of factors affecting both the property market generally or CLW's properties in particular.

As set out in Section 5.11, the Victorian Supreme Court delivered judgment in the Victorian Litigation on 20 October 2021. The Court decided that the 16 Victorian Determinations were not made in accordance with the leases, are not binding and must be done again. There is no certainty as to the outcome of any new determinations, which could affect the value of ALE Group's properties.

Risks

Additional factors which could affect the value of each property held by CLW include, but are not limited to the following (each of which may be exacerbated by the impact of COVID-19):

- changes in market rental rates;
- changes in property yields;
- fluctuating occupancy levels;
- general decay and structural deterioration;
- tenants defaulting;
- supply and demand in the relevant property market;
- increased competition from new or existing properties;
- a downturn in the property market generally;
- pricing or competition policies of any competing properties or tenants; and
- general economic conditions, such as interest rates.

These factors may change for a variety of reasons including those set out above in respect of these particular risks. A reduction in the value of any property may adversely affect the value of CLW Securities. It may also impact CLW's financing arrangements. Property values may fall if the underlying assumptions on which the property valuations are based, change in the future. As changes in valuations of investment properties are recorded in the statutory income statement, any decreases in value will have a negative impact on the statutory income of CLW. As property values fluctuate, so too may returns from property assets. Rental and occupancy levels may change as a result of changes in the property market and this may affect the distributions paid by CLW and the market price of securities. CLW will have its properties independently revalued regularly in accordance with its valuation policy. The independent valuations of the properties are the best estimates of the independent valuers at the time of undertaking the valuation and may not reflect the actual price a property would realise if sold. The independent valuations are subject to a number of assumptions which may prove to be inaccurate.

(q) Co-ownership risk

CLW holds a number of interests in its portfolios with its partners through joint co-ownership arrangements. This includes the ALE Trust on implementation of the Schemes, as CLW will hold its interest in the ALE Trust jointly with Hostplus. Although in many cases, CLW has control over or significant influence on the decision making of these joint co-ownership arrangements, certain decisions require approval of all the directors or security holders of entities CLW does not control. The co-operation among the partners of such entities on existing and future business decisions is an important factor for the sound operation and financial success of such businesses. The partners in these investments may have objectives different from those of CLW or be unable or unwilling to fulfil their obligations under the relevant joint co-ownership agreement.

In order to minimise the risks associated with the development and operation of its joint co-ownership arrangements, CLW seeks to enter into joint co-ownership arrangements with partners whom CLW considers to be reputable, creditworthy and reliable and on terms favourable to CLW. Although to date CLW has not experienced any significant disputes with its partners, disputes among co-ownership partners over co-ownership obligations or otherwise could have an adverse effect of the financial conditions or results of operations of these businesses.

(r) Pre-emptive rights and other risks associated with joint-ownership agreements

The joint-ownership agreements to which CLW (or a sub-trust of CLW) is a party, contain pre-emptive rights which restrict CLW's dealings in respect of its interest in the co-owned trust or the co-owned property. In particular, where CLW wishes to deal with its interests in a co-owned trust or property, each other co-owner will have a pre-emptive right over CLW's interests, other than in limited circumstances.

A number of joint-ownership agreements also contain:

- tag-along options, pursuant to which CLW may be required to take reasonable steps, if it wishes to sell its interest in a co-owned trust or co-owned property, to cause one or more of the other co-owners' interests to be acquired on substantively the same terms;

- drag along rights, pursuant to which a co-owner may require CLW to sell its interests in a co-owned trust if the co-owner wishes to sell its interest and CLW has not exercised its pre-emptive; and
- provisions under which a default sale process may be triggered on a change of control event, including where CHWALE is replaced with an entity that is not a related body corporate of the CHWALE, with the default sale process giving the other co-owners a right to acquire CLW's interests at the relevant default interest value.

Additionally, disputes may arise between co-owners and where a dispute cannot be resolved, a number of joint-ownership agreements provide for the sale of the relevant property in circumstances where a co-owner does not acquire the other co-owners' interests.

(s) Operator risk

While CLW is not an operator of any of the properties in CLW's portfolio, the valuation and yield of these assets could be materially adversely affected by a number of operational risks of the tenants of those properties, including competition and regulation of operators.

In particular, CLW may be affected by:

- in the case of ALE Group's properties and in the Long WALE Investment Partnership, increased competition in the pub, gaming, retail liquor markets and other specialty stores in the regions of Australia in which its tenants operate and changes in legislation and government policies that regulate liquor and gaming venues or liquor or gaming laws; and
- in the case of CLW sites with BP tenants, by increased competition in the fuel retailing industry, changes in legislation and government policies that regulate fuel and retailing, and changes in the nature of vehicle transport including the uptake of electric and autonomous vehicles.

A deterioration in an operator's financial strength and stability or a deterioration of the operator's business or in the prospects of the operator's industry generally, could materially impact CLW's results of operations, the value of its properties and its stapled securities.

(t) Funding

CLW may fund future refinancing, capital expenditure and acquisitions from either debt or equity markets. CLW's ability to raise funds from either market on favourable terms is dependent on a number of factors including the performance, reputation and financial strength of CLW and the value of its properties. The implementation of the Schemes could adversely affect each of the foregoing factors, which could lead to an increase cost of funding, limited access to capital, increased refinancing risk for CLW and/or an inability to expand operations or purchase assets in a manner that may benefit CLW and CLW Securityholders.

Other factors which could affect CLW's ability to raise funds from debt or equity markets include macro-economic factors such as the general economic and political climate and the state of debt and equity capital markets (among other things).

(u) Extension and refinancing

CLW's ability to refinance or repay its debts as they fall due will be impacted by market conditions, the financial status of CLW, the value of CLW's properties, and prevailing economic conditions, including interest rates, at the time of maturity or refinancing. There is a risk that CLW may not be able to extend or refinance its debts before maturity, which may be exacerbated by the impact of COVID-19 or the acquisition of the interest in ALE Group's portfolio of assets following implementation of the Schemes.

Possible increases in the interest rate, the cost of interest rate hedges and the level of financial covenants required by lenders may also adversely impact the operating and financial performance of CLW, the distributions of CLW and CLW's ability to raise equity and/or enter into new debt facilities. In these circumstances, CLW may need to raise further equity, dispose of assets for a lower market value than could otherwise have been realised, or enter into new debt facilities on less favourable terms. There is also a risk that CLW may be unable to hedge future borrowings to mitigate future interest rate risk, or that the terms of such hedging are less favourable than the existing terms.

Risks

(v) Debt facility undertakings and covenants

CLW is subject to a number of undertakings and covenants under existing debt facilities, including in relation to gearing ratio and interest cover ratios. An event of default would occur if CLW fails to maintain these financial covenants. This may be caused by, amongst other factors, unfavourable movements in interest rates (to that extent interest rates are not hedged) or deterioration in the income or the value of CLW's portfolio, which may be exacerbated by the impact of COVID-19 or the acquisition of the interest in ALE Group's portfolio of assets following implementation of the Schemes. In the event that an event of default occurs, the lender may require immediate repayment of a debt facility. CLW may need to dispose of some or all of its properties for less than their book value, raise additional equity, or reduce or suspend distributions in order to repay a debt facility.

(w) Gearing

The level of gearing exposes CLW to any changes in interest rates and increases CLW's exposure to movements in the value of CLW's portfolio or performance measures. Higher gearing will increase the effect. If the level of gearing increases over the term of CLW's debt financing, this may create refinancing risk on CLW's debts as it approaches expiry.

10.4 Specific risk factors relating to CLW Securities

(a) Dilution risk

As CLW Securities are issued to new investors, existing CLW Securityholders' proportional beneficial ownership in the underlying assets of CLW may be reduced. For example, if CLW Securityholders do not participate in a future equity raising or choose not to reinvest their distributions pursuant to any future distribution reinvestment plan, then their beneficial ownership in CLW may be diluted.

(b) Equity market conditions

CLW Securities may trade on ASX at, above or below the issue price or net tangible asset amount per security. The price of CLW Securities can fall as well as rise. The price at which CLW Securities trade on ASX may be affected by a range of factors including:

- movements and volatility in international and local share markets;
- general economic conditions in Australia and offshore including inflation, interest rates and exchange rates;
- recommendations by brokers;
- changes in government, fiscal, monetary and regulatory policies;
- changes to laws (particularly taxation laws);
- inclusion or removal from market indices; and
- changes in the supply and demand of listed property securities.

Changes in the stock market rating of securities relative to other listed securities, especially other listed property trusts, may also affect prices at which CLW Securities trade.

(c) Liquidity risk

There can be no assurance of an active trading market for CLW Securities. Liquidity of CLW Securities will be dependent on the relative volume of the buyers and sellers in the market at any given time. Changes in liquidity may affect the price at which CLW Securityholders are able to sell their CLW Securities. Significant blocks of CLW Securities held by individual investors may reduce liquidity in the trading of securities.

(d) No guarantee of distribution or capital return

No guarantee can be given as to the amount of any income or capital return from CLW Securities or the performance of CLW, nor can the repayment of capital from CLW be guaranteed.

10.5 Other general risks of CLW following implementation of the Schemes

(a) Changes in laws, regulation and policy

Changes in laws, regulations and government policy may affect CLW or the tenants and the attractiveness of an investment in CLW. Further, the impact of actions by governments may affect CLW's activities including such matters as compliance with environmental regulations and taxation.

(b) Tax

CLW's operating earnings may be affected by changes in taxation law, including changes in income tax, GST or stamp duty legislation, particularly if they relate to property investment. Taxation law may change as a result of legislation, case law in Australia, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of tax authorities. The tax treatment of distributions in the hands of CLW Securityholders may also be affected by changes to the tax regime applicable to CLW, or CLW's ability to make tax deferred distributions. Tax considerations may differ between investors, therefore prospective investors are encouraged to seek professional tax advice in connection with any investment in securities. Offshore investors in managed investment trusts are governed by particular taxation rules. An offshore investor should obtain their own taxation advice in relation to those rules.

(c) Accounting standards

The Australian Accounting Standards to which CLW adheres are set by the Australian Accounting Standards Board (**AASB**) and are consequently out of the control of CLW and the CLW Directors. Changes to accounting standards issued by 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 CLW's financial statements.

(d) Management performance

CLW will be reliant on the expertise, experience, and strategies of its executive directors and management of the Charter Hall Group. As a result, the loss or unavailability of key personnel at the Charter Hall Group could have an adverse impact on the management and financial performance of CLW and therefore returns to CLW Securityholders.

(e) Reliance on third parties

CHWALE may engage third party service providers in respect of a part or the whole of CLW's portfolio, being the Charter Hall Group entities or third parties outside the Charter Hall Group. These services will be subject to contractual arrangements between CHWALE and the relevant third parties. A failure of third parties to discharge their agreed responsibilities may adversely affect the management and financial performance of CLW and therefore also adversely impact returns to investors.

(f) Conflicts

CHWALE may engage Consortium Acquirer Nominee, a wholly owned subsidiary of Charter Hall Limited, to provide property management and facilities management services in respect of various properties in CLW. CHWALE and Consortium Acquirer Nominee also have two common executive directors, and pursuant to the Company Scheme, Consortium Acquirer Nominee will acquire the Company Shares (being the shares in ALE).

This may create a conflict of interest. Related party transactions also carry a risk that they could be assessed and monitored less rigorously than transactions with unrelated third parties. CLW will mitigate these risks through the conflicts of interest and related party policy that governs the way CLW manages such conflicts or transactions.

(g) Interest rates

To the extent that interest rates are not hedged, unfavourable movements in interest rates relating to existing debt facilities could lead to increased interest expense. This could impact the level of distributions available to securityholders.

Risks

(h) Derivatives

CLW will use derivative instruments to hedge its exposure to interest rates and currency exposure. The market-to-market valuation of derivative instruments could change quickly and significantly. Such movements may have an adverse effect on the financial performance and financial position of CLW. In entering into derivative contracts, CLW will be exposed to the risk that a party to the contract become insolvent or otherwise default on its contractual obligations. CLW will seek to manage this risk by only entering into hedging arrangements with reputable counterparties.

(i) Insurance

Insurance coverage is maintained in respect of each property (including insurance for destruction or damage to the property and public risk liability) where that coverage is available on commercial terms. Insurance coverage will include differing levels of cover for material loss or damage items such as accidental damage, flood and demolition and removal of debris. Some risks are not able to be insured at acceptable premiums. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena such as earthquakes or hurricanes.

Any losses incurred due to uninsured risks, or loss in excess of the insured amounts, may adversely affect the performance of CLW, and could lead to a loss of some of the capital invested by CLW. Increases in insurance premiums may affect the performance of CLW to the extent they are not recoverable from the tenant under their leases. Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect CLW's right of recovery under its insurance.

(j) Insolvency

In the event of any liquidation or winding up of CLW, the claims of CLW's creditors, including any counterparty under any hedging or other derivative arrangements, will rank ahead of those of CLW Securityholders. Under such circumstances CLW will first repay or discharge all claims of its creditors. Any surplus assets will then be distributed to CLW Securityholders. All CLW Securityholders will rank equally in their claim and will be entitled to an equal security per CLW Security.

(k) Compliance

CLW is a managed investment scheme which means that CHWALE is subject to strict regulatory and compliance arrangements under the Corporations Act and its Australian Financial Services Licence. If CHWALE fails to comply with the conditions of its Australian Financial Services Licence, then ASIC may take action to suspend or revoke the licence, which in turn could adversely impact CLW.

(l) Environmental issues and contamination

As with any property, there is a risk that one or more of the properties in CLW's portfolio may be contaminated now or in the future (including properties within ALE Group's portfolio). Government environmental authorities may require such contamination be remediated. There is always a residual risk that CLW may be required to undertake any such remediation at its own cost. Such an event would adversely impact CLW's financial performance. Environmental laws impose penalties for environmental damage and contamination which can be material in size. In addition, if any remediation required to be undertaken on a property is not completed properly, this may adversely affect CLW's ability to sell the relevant property or to use it as collateral for future borrowings. Should new or more stringent environmental laws or regulations be introduced in the future, any remediation costs required to be incurred by CLW may increase materially in order to comply with the new laws or regulations. Exposure to hazardous substance at a property within CLW's portfolio could result in personal injury claims. Such a claim could prove greater than the value of the contaminated property. An environmental issue may also result in interruptions to the operations of a property, including the closure or re-lease of the property.

(m) Occupational health and safety

There is a risk that liability arising from occupational health and safety matters at a property (including a property of ALE Group) may be attributable to CLW as the landlord instead of, or as well as, the tenant. To the extent that any liabilities may be borne by CLW, this may impact the financial performance of CLW (to the extent not covered by insurance). In addition, penalties may be imposed upon CLW which may have an adverse impact on CLW.

11. Taxation implications

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27 October 2021

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Dear Directors

Australian Taxation Report

We have been requested to prepare a summary of the Australian income tax, stamp duty and goods and services tax (**GST**) consequences for Australian resident and non-resident ALE Scheme Securityholders of the implementation of the Proposal to be included in the Scheme Booklet.

This summary is general in nature only, should be read in conjunction with the rest of the Scheme Booklet, and is not intended to be an authoritative or complete analysis of the tax consequences arising from the Schemes. The information provided below is not applicable to all ALE Scheme Securityholders. See Section 2 below.

This summary is based on the provisions of the *Income Tax Assessment Act 1936* (Cth) (**ITAA 1936**) and the ITAA 1997 as at the date of this Scheme Booklet. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities.

Defined terms used in this letter take their meaning from the Scheme Booklet, unless context requires otherwise.

1 Executive summary

Subject to our more detailed comments below, the key tax consequences of the Proposal are as follows:

- The September 2021 quarter distribution will not form part of the capital proceeds received from the disposal of ALE Scheme Securities. The tax treatment of this distribution should be consistent with past ordinary distributions.
- ALE Scheme Securities are CGT assets and their disposal under the Scheme will have CGT consequences.
- Australian resident ALE Scheme Securityholders will need to calculate whether they make a capital gain or capital loss based on the total Scheme Consideration (comprising cash and the value of the CLW Securities, as applicable) received. **ALE Scheme Securityholders will not be eligible for CGT scrip for scrip roll-over relief.** See section 3.3 below for further details.
- Non-Australian resident ALE Scheme Shareholders should not have Australian CGT consequences unless their ALE Scheme Securities are 'taxable Australian property'. See section 3.4 below for further details.

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HSCS 517078998v1 121027444 27.10.2021

Your Ref TZIS

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- The tax consequences of holding CLW Securities may be different to holding ALE Scheme Securities. A brief outline of the tax consequences for New CLW Securityholders is set out below at section 3.5. New CLW Securityholders should have regard to any tax information which will be provided by Charter Hall WALE Limited in relation to their CLW Securities.

2 Application

This tax summary applies to Australian tax resident and non-resident securityholders who hold their securities on capital account. This summary will not apply to ALE Scheme Securityholders who:

- hold their ALE Scheme Securities on 'revenue account' (such as share trading entities) or as 'trading stock';
- hold their ALE Scheme Securities under an employee share scheme offered by ALE or otherwise hold ESSS Rights that will vest if the Schemes become effective where those securities or rights remain subject to deferred taxation under Division 83A of the *Income Tax Assessment Act 1997* (Cth) (*ITAA 1997*);
- may be subject to special tax rules, such as partnerships, tax exempt entities, insurance companies, dealers in securities or shareholders who change their tax residency while holding their ALE Scheme Securities;
- have a functional currency for Australian tax purposes other than an Australian functional currency; and/or
- are subject to the 'taxation of financial arrangements' rules in Division 230 of the ITAA 1997 in relation to gains and losses on their ALE Scheme Securities.

ALE Scheme Securityholders are advised to seek their own professional tax advice in relation to their particular circumstances. ALE Scheme Securityholders who are not resident in Australia should obtain advice on the taxation implications arising from the Proposal in their local jurisdiction.

3 Income tax consequences

3.1 September 2021 Quarter Distribution

On 20 September 2021, the Board announced a trust distribution of 5.50 cents per stapled security for the quarter ending 30 September 2021. This distribution does not form part of, and does not reduce, the Scheme Consideration, because it was declared before the date of the Scheme Booklet. ALE Property RE will be required to provide ALE Scheme Securityholders with a distribution statement outlining the tax components of the distribution in due course.

3.2 Unstapling

As part of the Proposal, each ALE Scheme Security will be Unstapled. No tax consequences should arise as a result of the Unstapling of the ALE Scheme Securities for ALE Scheme Securityholders.

3.3 Disposal of ALE Scheme Securities – Australian resident ALE Scheme Securityholders

(a) No CGT scrip for scrip roll-over relief

An ALE Scheme Securityholder who makes a capital gain will not be eligible for CGT scrip for scrip roll-over relief because the CLW Securities do not satisfy the relevant conditions in the ITAA 1997. For a trust acquisition, the roll-over relief in the ITAA 1997 only applies if the trust which acquires your ALE Scheme Securities is the same trust which issues the replacement securities as Scheme Consideration. However, the Consortium Acquirer is a different trust to the trust which will issue the CLW Securities as the Scheme Consideration.

(b) Capital gains tax (CGT)

Each ALE Scheme Security consists of two separate CGT Assets: an ALE Scheme Unit and an ALE Scheme Share.

The Proposal will give rise to two separate CGT events for ALE Scheme Securityholders:

- CGT event A1 will occur on the disposal of their ALE Scheme Units; and
- CGT event A1 will occur on the disposal of their ALE Scheme Shares.

This means that ALE Scheme Securityholders will need to determine whether a capital gain or a capital loss arises in respect of their ALE Scheme Units and ALE Scheme Shares. As no CGT roll-over relief will be available, this will be the case even if an ALE Scheme Securityholder receives part or all of the Scheme Consideration in the form of CLW Securities.

The timing of the CGT event which happens to each ALE Scheme Security will be the date of disposal of the ALE Scheme Security, being the Implementation Date of the Proposal.

An ALE Scheme Securityholder will make a capital gain in relation to a relevant CGT event to the extent that:

- the capital proceeds from the disposal of their ALE Scheme Units are more than the 'cost base' for their ALE Scheme Units; or
- the capital proceeds from the disposal of their ALE Scheme Shares are more than the 'cost base' for their ALE Scheme Shares.

The 'CGT discount' may be available to reduce the taxable gain for an ALE Scheme Securityholder who is an individual, complying superannuation entity or trust (see section 3.3(f) below).

An ALE Scheme Securityholder will make a capital loss in relation to a relevant CGT event to the extent that:

- the capital proceeds from the disposal of their ALE Scheme Units are less than the 'reduced cost base' for their ALE Scheme Units; or
- the capital proceeds from the disposal of their ALE Scheme Shares are less than the 'reduced cost base' for their ALE Scheme Shares.

(c) Capital proceeds

The capital proceeds for the CGT events arising from the disposals of the ALE Scheme Units and the ALE Scheme Shares, in each case, will consist of the total of:

- the money which is payable to an ALE Scheme Securityholder in respect of the CGT event which happens; and
- the market value of any other property which is payable to an ALE Scheme Securityholder in respect of the event happening (worked out as at the time of the event).

Under the Proposal, subject to the Scaleback Arrangements and any Permitted Distributions, ALE Scheme Securityholders are able to elect to receive as consideration for the sale of their ALE Scheme Securities:

- the Mixed Consideration, being \$3.673 cash and 0.4080 CLW Securities for each ALE Scheme Security;
- the Maximum Scrip Consideration, being 1.1546 CLW Securities for each ALE Scheme Security held by an ALE Scheme Securityholder; or

- the Maximum Cash Consideration, being an amount of \$5.681 for each ALE Scheme Security held by an ALE Scheme Securityholder.

The capital proceeds received by an ALE Scheme Securityholder in respect of each ALE Scheme Security therefore should comprise the total of the cash received and/or the market value of CLW Securities received in accordance with that ALE Scheme Securityholder's election.

The market value of CLW Securities received by an ALE Scheme Securityholder should be calculated as at the Implementation Date. We have been advised that the Consortium Acquirer will make information available to assist ALE Scheme Securityholders in calculating the capital proceeds where part or all of the Scheme Consideration is received in the form of CLW Securities.

As discussed above in section 3.1, the distribution for the quarter ending 30 September 2021 does not form part of, and does not reduce, the Scheme Consideration. If any further distribution is made which is a Permitted Distribution, then based on the facts and circumstances of the Schemes, and consistent with the Australian Taxation Office's views in Taxation Ruling TR 2010/4, the amount of that Permitted Distribution should not form part of the capital proceeds for the relevant CGT events arising from the disposal of ALE Scheme Units or ALE Scheme Shares on the basis that the payment of the Permitted Distribution would be a distribution in the ordinary course and should not be characterised as a payment 'in respect of' the disposal of the ALE Scheme Securities or ALE Scheme Shares under the Schemes.

The capital proceeds received by each ALE Scheme Securityholder in respect of the ALE Scheme Securities should be apportioned between the ALE Scheme Unit and the ALE Scheme Share comprising each ALE Scheme Security. An ALE Scheme Shareholder can apportion the amount paid on a reasonable basis across their ALE Scheme Units and ALE Scheme Shares. For example, a reasonable method of apportionment could be on the basis of the relative net assets of ALE Trust and ALE Property RE at the Implementation Date. Information regarding the net asset split of the ALE Trust and the ALE Property RE as at 30 June each year is published in the Investor Centre on the ALE Property RE website under 'Tax Information'.

(d) Cost base and reduced cost base

As explained in 1.3(a) above, each ALE Scheme Security consists of two separate CGT Assets: an ALE Scheme Unit and an ALE Scheme Share.

- The first element of an ALE Scheme Securityholder's cost base, or reduced cost base, for their ALE Scheme Units is the amount paid by the ALE Scheme Securityholder for the ALE Scheme Units.
- Similarly, the first element of an ALE Scheme Securityholder's cost base, or reduced cost base, for their ALE Scheme Shares is the amount paid by the ALE Scheme Securityholder for the ALE Scheme Shares.

Other amounts associated with the acquisition or disposal of the ALE Scheme Units or ALE Scheme Shares may be added to their cost base.

An ALE Securityholder who acquired their ALE Scheme Securities for consideration and did not separately allocate an amount of that consideration to each of the ALE Scheme Units and ALE Scheme Shares can apportion the amount paid on a reasonable basis across their ALE Scheme Units and ALE Scheme Shares. One possible method of apportionment is on the basis of the relative net assets of ALE Trust and ALE Property RE at the time at which

the ALE Scheme Securities were acquired by the ALE Scheme Shareholder. As stated above, this information is published by the ALE Property RE as at 30 June each year.

(e) Net capital gain or loss

Any capital gain (or capital loss) made by an ALE Scheme Securityholder will be aggregated with other capital gains or capital losses of the ALE Scheme Securityholder in the relevant year of income to determine whether the ALE Scheme Securityholder has an overall net capital gain or net capital loss for the income year in which the CGT event occurs. A net capital gain, if any, will be included in the ALE Scheme Securityholder's assessable income and will be subject to income tax. A net capital loss may not be deducted against other assessable income, but may be carried forward to be offset against net capital gains realised in later income years.

(f) CGT Discount

If an ALE Scheme Securityholder is an individual, complying superannuation entity or trustee of a trust who held their ALE Scheme Securities for 12 months or more before the disposal, the ALE Scheme Securityholder may be entitled to a CGT discount on any capital gain made on the disposal of their ALE Scheme Units and ALE Scheme Shares.

The CGT discount is applied after any available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which would reduce a capital gain arising from the disposal of ALE Scheme Securities is 50% in the case of individuals and trusts or 33 $\frac{1}{3}$ % in the case of complying superannuation entities. The CGT discount is not available for ALE Securityholders that are companies.

As the rules relating to discount capital gains for trusts are complex, ALE Scheme Securityholders who are trustees should seek their own advice on how the CGT discount provisions will apply to them and the trust's beneficiaries.

3.4 Disposal of ALE Scheme Securities – Non-Australian residents

Any capital gain or capital loss made by a non-Australian resident ALE Scheme Shareholder from the disposal of their ALE Scheme Units and ALE Scheme Shares will be disregarded unless their ALE Scheme Units or ALE Scheme Shares are 'taxable Australian property' for the purposes of the CGT rules.

An ALE Scheme Unit or ALE Scheme Share will be 'taxable Australian property' for an ALE Scheme Securityholder if:

- the ALE Scheme Securityholder's ALE Scheme Unit or ALE Scheme Share is, or has been, held by the ALE Scheme Securityholder in carrying on a business at or through a permanent establishment in Australia; or
- the ALE Scheme Securityholder is an individual who made an election to disregard making a capital gain or capital loss from CGT Event I1 in respect of the ALE Scheme Unit or ALE Scheme Share when they ceased to be an Australian resident (if the ALE Scheme Securityholder was ever an Australian resident); or
- in the case of the ALE Scheme Unit, broadly, the ALE Scheme Securityholder, together with any associates, owns, or owned, at the Implementation Date or throughout a 12 month period during the two years preceding the Implementation Date, 10% or more of all the issued securities in ALE (in which case the ALE Scheme Unit would constitute an 'indirect Australian real property interest' under the CGT rules).

An ALE Scheme Securityholder who believes that one of the categories above may apply to them should seek their own advice.

If a non-Australian resident ALE Scheme Securityholder's ALE Scheme Units or ALE Scheme Shares are 'taxable Australian property' and the ALE Scheme Securityholder makes a capital gain as a result of their disposal of the ALE Scheme Units and ALE Scheme Shares, the ALE Scheme Securityholder will not be entitled to any CGT discount.

3.5 Holding of new CLW Securities – Australian resident ALE Scheme Securityholders

Following implementation of the Proposal, ALE Scheme Securityholders who have elected to receive the Maximum Scrip Consideration or the Mixed Consideration, or who by virtue of the operation of the Scaleback Arrangements receive scrip consideration, will hold CLW Securities (**New CLW Securityholders**).

Each CLW Security comprises one unit in the LWR Finance Trust (an **LWR Unit**) and one unit in the Charter Hall Direct Industrial Fund (a **CHDIF Unit**), which are stapled together such that they cannot be dealt with separately. Each CLW Security is a separate CGT asset.

New CLW Securityholders will need to refer to the taxation information provided by Charter Hall WALE Limited in relation to their CLW Securities. As Charter Hall WALE Limited has made a choice for the CLW Trusts to be subject to the rules for attribution managed investment trusts (**AMITs**), the taxation treatment of CLW Securities may differ to the taxation treatment of ALE Securities. The following information is provided on the assumption that the CLW Trusts will continue to be AMITs, and should be read subject to any further specific taxation information provided by Charter Hall WALE Limited.

(a) Distributions from CLW Securities

New CLW Securityholders will need to include in their assessable income such amounts that are attributed to them as a member of the CLW Trusts.

The taxable amounts attributed to a New CLW Securityholder may be more than or less than the cash distributions paid by each CLW Trust in respect of that income year. Where the taxable amounts are more than the cash distributions, a New CLW Securityholder's cost base is increased. Conversely, where the taxable amounts are less than the cash distributions, a New CLW Securityholder's cost base is decreased. Details of the cost base adjustment amounts should be included in the AMIT member annual statement.

(b) Cost base

The first element of the cost base or reduced cost base in each CLW Security (comprising, one LWR Unit and one CHDIF Unit) acquired under the Schemes will be the market value of any ALE Scheme Securities exchanged under the Schemes as at the Implementation Date, less any cash received as part of the Scheme Consideration.

As each CLW Security comprises one LWR Unit and one CHDIF Unit, the first element of the cost base or reduced cost base will need to be apportioned between the LWR Unit and the CHDIF Unit on a reasonable basis.

We have been advised that Charter Hall WALE Limited will make information available on its website to assist New CLW Securityholders in determining their cost base (or reduced cost base) in CLW Securities.

(c) Future disposal of CLW Securities by Australian resident holders

Each LWR Unit and CHDIF Unit is a separate CGT asset. Therefore, on disposal of a CLW Security, a CGT event will happen in respect of each of the LWR Unit and the CHDIF Unit.

Accordingly, capital proceeds received in respect of the disposal of CLW Securities will need to be apportioned between the LWR Unit and CHDIF Unit on a reasonable basis at that time.

A New CLW Securityholder will make a capital gain on disposal of a CLW Security to the extent that:

- the capital proceeds from the disposal of their LWR Units are more than the 'cost base' for their LWR Units; or
- the capital proceeds from the disposal of their CHDIF Units are more than the 'cost base' for their CHDIF Units.

The CGT discount may be available to reduce the taxable gain for an New CLW Securityholder who is an individual, complying superannuation entity or trust. For further information, see section 3.3(f) above.

A New CLW Securityholder will make a capital loss on disposal of a CLW Security to the extent that:

- the capital proceeds from the disposal of their LWR Units are less than the 'reduced cost base' for their LWR Units; or
- the capital proceeds from the disposal of their CHDIF Units are less than the 'reduced cost base' for their CHDIF Units.

As discussed above at section 3.5(a), the cost base or reduced cost base of a New CLW Securityholder's LWR Units and CHDIF Units may also be subject to adjustments because of the character of certain components of amounts received by, or attributed to, the New CLW Securityholder during the period of ownership of their LWR Units and CHDIF Units.

4 Foreign Resident Capital Gains Withholding

The foreign resident capital gains tax withholding rules may require that the Consortium Acquirer withhold and pay to the ATO 12.5% of the Scheme Consideration otherwise payable to an ALE Scheme Securityholder if:

- the interest acquired is an 'indirect Australian real property interest' (see section 3.4 above); and
- on the Implementation Date, the Consortium Acquirer knows or reasonably believes the ALE Scheme Securityholder is a foreign resident; or
- on the Implementation Date, the Consortium Acquirer does not reasonably believe the ALE Scheme Securityholder is an Australian resident, and either:
 - the ALE Scheme Securityholder has an address outside Australia; or
 - the Consortium Acquirer is authorised to pay the Scheme Consideration to a place outside Australia (such as an overseas bank account).

We understand the Consortium Acquirer will take separate action to clarify the status of certain ALE Scheme Securityholders. Unless an ALE Scheme Securityholder is contacted separately by the Consortium Acquirer to clarify whether they are a foreign resident or whether their units are an 'indirect Australia real property interest', it is not expected that the Consortium Acquirer will withhold any amount from the Scheme Consideration.

5 GST

No GST should be payable by an ALE Scheme Securityholder in respect of any of the steps outlined in the Proposal.

Australian Leisure and Entertainment Property Management Limited

Allens & Linklaters

6 Stamp Duty

No stamp duty should be payable by ALE Scheme Securityholders on the disposal of ALE Scheme Securities in accordance with the Schemes.

Yours faithfully



Craig Milner
Partner
Allens
Craig.Milner@allens.com.au

12. Implementation of the Proposal

12.1 Scheme Implementation Deed

On 20 September 2021, ALE announced that it entered into the Scheme Implementation Deed with Consortium Acquirer, CLW and Hostplus under which Consortium Acquirer has agreed to acquire all of the ALE Scheme Units, and for Consortium Acquirer Nominee to acquire all the ALE Scheme Shares pursuant to the Schemes. The implementation of the Schemes is subject to a number of Conditions Precedent which are summarised in Section 13.5(a). The Proposal will not proceed unless all of these conditions are satisfied or waived (if applicable) in accordance with the Scheme Implementation Deed.

A summary of the Scheme Implementation Deed is set out in Section 13.5.

12.2 Deed Poll

On Wednesday, 27 October 2021, Consortium Acquirer, CLW and Hostplus executed the Deed Poll, pursuant to which each of them has agreed to do all things necessary to give full effect to the Schemes, including the obligation to provide Scheme Consideration to ALE Scheme Securityholders, subject to the Schemes becoming Effective.

A copy of the Deed Poll is attached as Annexure C to this Scheme Booklet.

12.3 Effective Date

The Schemes will, subject to the Scheme Resolutions being approved at the Scheme Meetings and receipt of the Second Judicial Advice, become Effective on the Effective Date.

If the Scheme Resolutions are approved, notification will be lodged with ASIC following the Scheme Meetings.

12.4 Determination of persons entitled to the Scheme Consideration

(a) Record Date

Those ALE Securityholders on the ALE Register on the Record Date (ie at 7.00 pm (Sydney time) on Wednesday, 8 December 2021) will become entitled to the Scheme Consideration in respect of the ALE Securities they hold at that time, except for Ineligible Foreign Securityholders who will receive cash pursuant to the Sale Facility.

(b) Dealings on or prior to the Record Date

For the purposes of establishing the persons who are ALE Scheme Securityholders, any dealing in ALE Securities will only be recognised if:

- (i) in the case of dealings of the type to be effected by CHES, the transferee is registered in the ALE Register as the holder of the relevant ALE Securities on or before the Record Date; and
- (ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the ALE Registry by 5.00 pm on the day which is the Record Date.

Subject to the Corporations Act, ASX Listing Rules and the ALE Group Constitutions, ALE must register registrable transmission applications or transfers of the kind recognised above, before 7.00 pm on the day which is the Record Date.

ALE will not accept for registration, nor recognise for the purpose of establishing the persons who are ALE Scheme Securityholders nor for any other purpose (other than to transfer to Consortium Acquirer and Consortium Acquirer Nominee (as applicable) pursuant to the Schemes and any subsequent transfers by Consortium Acquirer and Consortium Acquirer Nominee (as applicable) and its successors in title), any transfer or transmission application in respect of ALE Scheme Securities received after such times, or received prior to such times but not in actionable or registrable form (as appropriate).

(c) Dealings after the Record Date

For the purposes of determining entitlement to the Scheme Consideration, ALE will, until the Scheme Consideration has been paid to the ALE Scheme Securityholders and Consortium Acquirer has been registered as the holder of the ALE Scheme Units and Consortium Acquirer Nominee has been registered as the holder of the ALE Scheme Shares, maintain the ALE Register in its form as

Implementation of the Proposal

at the Record Date. The ALE Register in this form will solely determine entitlements to the Scheme Consideration.

From the Record Date, except as evidence of entitlement to the Scheme Consideration in respect of the ALE Securities relating to that entry:

- (i) all statements of holding in respect of ALE Securities cease to have effect as documents of title in respect of such ALE Securities; and
- (ii) each entry on the ALE Register will cease to be of any effect.

12.5 Scheme Consideration

A summary of the Scheme Consideration is set out in Section 4.3.

12.6 Fractional entitlements and rounding

Where the number of ALE Securities held by an ALE Scheme Securityholder as at the Record Date is such that the aggregate entitlement of the ALE Scheme Securityholder to the Scheme Consideration:

- (a) includes a fractional entitlement to a CLW Security; and/or
- (b) includes a fractional entitlement to a cent,

then the entitlement of that ALE Scheme Securityholder must be rounded up or down to the nearest whole number, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of CLW Securities or cents (as applicable), and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of CLW Securities or cents (as applicable).

12.7 Payment of Scheme Consideration

(a) Payment of cash consideration

In respect of those ALE Scheme Securityholders who are to receive the whole or part of the Scheme Consideration in cash, if the Schemes become Effective and are implemented:

- (i) Consortium Acquirer must, on or prior to the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to ALE Scheme Securityholders in an Australian dollar denominated trust account operated by ALE as trustee for the ALE Scheme Securityholders;
- (ii) on the Implementation Date, subject to funds having been deposited as set out above, ALE must pay or procure the payment, to each ALE Scheme Securityholder such amount of cash from the cash component of the Scheme Consideration as that ALE Scheme Securityholder is entitled to (if any); and
- (iii) ALE will make such payment either by:
 - (A) electronic funds transfer to either an account nominated by the ALE Scheme Securityholder on their Election Form or, if no account is so nominated, the account of the ALE Scheme Securityholder with the bank or other financial institution nominated by them for receipt of distributions on their ALE Securities; or
 - (B) otherwise, dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian dollars to the ALE Scheme Securityholder by prepaid post to their registered address (as at the Record Date), such cheque being drawn in the name of the ALE Scheme Securityholder, subject to rules for joint holders.

(b) Provision of Scrip Consideration

In respect of those ALE Scheme Securityholders who are to receive the whole or part of the Scheme Consideration in new CLW Securities, if the Schemes become Effective and are implemented, CLW must on or before the Implementation Date issue the applicable number of CLW Securities to each applicable ALE Scheme Securityholder in accordance with the terms of the Schemes before the transfer of the ALE Securities on the Implementation Date.

(c) Sale Facility

Consortium Acquirer will procure that, as soon as reasonably practicable and in any event not more than 10 Business Days after the Implementation Date, the Sale Agent:

- (i) sells on the financial market conducted by ASX all of the new CLW Securities issued to the Sale Agent in the manner, at the price and on the other terms that the Sale Agent determines in good faith and at the risk of the Ineligible Foreign Securityholders; and
- (ii) remits to ALE the proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges).

Promptly after the receiving proceeds of the sale of new CLW Securities in accordance with this Section 12.7(c) (and in any event within 10 Business Days of such date), ALE will pay to each Ineligible Foreign Securityholder an amount equal to the proportion of the net proceeds of sale received by ALE to which that Ineligible Foreign Securityholder is entitled in full satisfaction of the Ineligible Foreign Securityholder's right to the relevant new CLW Securities.

Each Ineligible Foreign Securityholder appoints ALE as its agent to receive on its behalf any financial services guide or other notices which may be given by the Sale Agent appointed by Consortium Acquirer to the relevant Ineligible Foreign Securityholder.

12.8 Ineligible Foreign Securityholders and Sale Facility

A summary of the entitlements of Ineligible Foreign Securityholders in relation to the Scheme Consideration and the Sale Facility is set out in Sections 4.3(f) and 4.3(g).

12.9 Commencement of trading of new CLW Securities

The new CLW Securities issued as Scheme Consideration are expected to commence trading on ASX on Monday, 20 December 2021.

The exact number of new CLW Securities to be issued to ALE Scheme Securityholders will not be known until after the Record Date and will not be confirmed to them until they receive their holding statements/ confirmations following the Implementation Date. It is the responsibility of each ALE Scheme Securityholder to confirm their holdings of new CLW Securities before they trade them to avoid the risk of committing to sell more than will be issued to them. ALE Scheme Securityholders who trade their new CLW Securities do so at their own risk.

ALE Scheme Securityholders will become CLW Securityholders once they are issued with their new CLW Securities.

12.10 Delisting of ALE Group

ALE Group will apply:

- (a) for termination of the official quotation of ALE Securities on ASX; and
- (b) to have ALE Group removed from the official list of ASX with effect after the Implementation Date.

13. Additional Information

13.1 Directors' interests in ALE Securities

As at the date of this Scheme Booklet, the ALE Directors have the following Relevant Interests in ALE Securities.

ALE Director	Position	ALE Securities	ESSS Rights
Robert Mactier	Non-executive Director	50,000	—
Phillipa Downes	Non-executive Director	77,313	—
Paul Say	Non-executive Director	25,000	—
Nancy Milne	Non-executive Director	20,000	—
Michael Triguboff	Non-executive Director	—	—
Bernard Stanton	Non-executive Director	—	—
Guy Farrands	Managing Director	—	— ⁵⁸

13.2 ESSS Rights

(a) ESSS Rights on issue

As set out in ALE Group's 2021 Annual Report, ALE operates the Executive Incentive Scheme (*EIS*) to reward executives for achieving and exceeding annual individual KPIs. EIS awards comprise 50% cash and 50% deferred delivery stapled securities issued under the Executive Stapled Securities Scheme (*ESSS Rights*).

As at 26 October 2021 (being the last practicable trading day prior to the date of this Scheme Booklet), ALE had 125,497 ESSS Rights on issue granted pursuant to the ESSS⁵⁹. No ALE Director holds any ESSS Rights as at the date of this Scheme Booklet.

Further details about ALE's employee incentive arrangements can be found in ALE Group's 2021 Annual Report which was announced to ASX on 4 August 2021 and can be found on the ASX website (www.asx.com.au) or ALE's website (www.alegroup.com.au).

(b) Intended treatment of ESSS Rights in connection with the Schemes

Under the Scheme Implementation Deed, ALE is required to ensure that, by no later than the Record Date, there are no outstanding ESSS Rights on issue. This was a requirement of Consortium Acquirer, in order for Consortium Acquirer to ensure that it will own, on implementation of the Schemes, all of the ALE Securities on a fully diluted basis.

Having regard to a range of considerations, including Consortium Acquirer's intentions with regard to management and employees and that ALE will no longer be an ASX listed company following implementation of the Schemes, the ALE Board has resolved to treat the existing employee incentive arrangements as detailed below.

Under the terms of the ESSS, in the event of a proposed change of control of ALE, the ALE Board has discretion to determine the treatment of any unvested ESSS Rights and the timing of such treatment.

Consistent with the terms of the ESSS, the ALE Board has exercised its discretion and determined that all of the ESSS Rights will, subject to the Schemes becoming Effective, vest and automatically convert into ALE Securities on the Effective Date. This equates to 125,497 ESSS Rights (provided that the issue of the additional 33,731 ESSS Rights to Mr Guy Farrands is approved by the ALE Securityholders at the 2021 AGM) converting into an equivalent number of ALE Securities.

Discussions regarding the treatment of ESSS Rights occurred after negotiations concluded about the price at which Consortium Acquirer would offer to acquire Company Shares. In other words, the outcome for holders of ESSS Rights has not impacted on the outcome for ALE Securityholders.

⁵⁸ It is proposed that up to 33,731 ESSS Rights will be issued to Mr Guy Farrands subject to ALE Securityholder approval at the 2021 AGM. If ALE Securityholder approval is obtained, the ESSS Rights will be granted in December 2021 and, in any event, no later than 12 months after the 2021 AGM. If the grant of ESSS Rights is not approved, the remuneration intended to be provided by way of ESSS Rights will instead be delivered in cash.

⁵⁹ Inclusive of up to 33,731 ESSS Rights to be issued to Mr Guy Farrands subject to ALE Securityholder approval at the 2021 AGM.

13.3 NIVUS

It is a requirement of the Scheme Implementation Deed (summarised in Section 13.5) that, on or before the date that is at least 21 days prior to the Implementation Date, ALE acting in its capacity as responsible entity of ALE Trust, must make an offer to ALE acting in its personal capacity, to redeem all NIVUS on issue on the Implementation Date prior to the ALE Scheme Units being transferred to Consortium Acquirer (the *Redemption Offer*).

ALE acting in its personal capacity must accept the Redemption Offer prior to the Implementation Date and prior to the Redemption Offer closing.

- (a) ALE acting in its capacity as responsible entity of the ALE Trust must:
- (b) pay the redemption price of \$1 per NIVUS to ALE acting in its personal capacity; and
- (c) update the register on which the NIVUS were recorded to show that all NIVUS have been redeemed, on the Implementation Date prior to the ALE Scheme Units being transferred to Consortium Acquirer.

13.4 No pre-transaction benefits

(a) Benefits in connection with retirement from office

Except as disclosed below, and in Section 13.1, no payment or other benefit is proposed to be made or given to any director, company secretary or executive officer of ALE (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from office in ALE or any of its Related Bodies Corporate in connection with the Proposal.

ALE has entered into a variation letter agreement with Guy Farrands (Managing Director), pursuant to which Mr Farrands will receive, subject to the Schemes becoming Effective, payment of six months' remuneration in lieu of notice if he is not offered a comparable role on terms that are at least as favourable as his current terms. In addition, subject to the schemes becoming Effective, all ESSS Rights held by Mr Farrands (being, up to 33,731 ESSS Rights to be issued to be Mr Farrands subject to ALE Securityholder approval at the 2021 AGM) will be treated as described in Section 13.2(b), and Mr Farrands will be entitled to a 'Stretch STI' of up to \$180,000.

ALE has entered into a variation letter agreement with Michael Clarke (Company Secretary and Chief Financial Officer), pursuant to which Mr Clarke will receive, subject to the Schemes becoming Effective, a contractual redundancy entitlement of \$330,000. In addition, subject to the Schemes becoming Effective, Mr Clarke will be entitled to a stretch bonus of up to \$40,000. In addition, all ESSS Rights held by Mr Clarke will be treated as described in Section 13.2(b).

ALE pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of the ALE Directors and executive officers.

(b) ALE Directors' interests in agreements or arrangements relating to the Proposal

Except as disclosed in this Scheme Booklet:

- (i) no ALE Director has any other interest in a contract entered into by CLW, Consortium Acquirer or Consortium Acquirer Nominee;
- (ii) there are no contracts or arrangements between an ALE Director and any person in connection with or conditional upon the outcome of the Schemes; and
- (iii) no ALE Director has a material interest in relation to the Schemes other than in their capacity as an ALE Securityholder as outlined in Section 13.1 and this Section 13.4.

13.5 Summary of Scheme Implementation Deed

On 20 September 2021, ALE announced that it entered into the Scheme Implementation Deed with Consortium Acquirer, CLW and Hostplus under which Consortium Acquirer has agreed to acquire all of the ALE Scheme Units, and for Consortium Acquirer Nominee to acquire all the ALE Scheme Shares pursuant to the Schemes. A full copy of the Scheme Implementation Deed was attached to the ALE Group ASX announcement on 20 September 2021, which can be obtained from the ASX website (www.asx.com.au) or ALE's website (www.alegroup.com.au).

Additional Information

A summary of the key terms of the Scheme Implementation Deed is set out in this Section 13.5.

(a) Conditions

Implementation of the Schemes is subject to satisfaction or waiver (where capable of waiver) of the following conditions:

- (i) **(ASIC Relief)** ASIC issues or provides such consents, waivers and approvals or does such other acts that are necessary to implement Schemes and none of those consents, waivers or approvals has been withdrawn, revoked or adversely amended before 8.00 am on the Second Court Date;
- (ii) **(ALE Securityholder approval)** ALE Securityholders approve the:
 - (A) Company Scheme by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act; and
 - (B) Trust Scheme Resolutions by the requisite majorities under section 601GC(1) and item 7 of section 611 of the Corporations Act,at the Scheme Meetings;
- (iii) **(Independent Expert's Report)** the Independent Expert provides the Independent Expert's Report to ALE, stating that in its opinion the Schemes are in the best interests of ALE Securityholders, and the Independent Expert does not change its conclusion or withdraw the Independent Expert's Report by notice in writing to ALE before 8.00 am on the Second Court Date;
- (iv) **(no restraints)** no applicable law shall have been enacted and no temporary, preliminary or final restraining order, injunction or other order made by a court of competent jurisdiction or Government Agency is in effect that would prevent, make illegal or prohibit the implementation of the Schemes at 8.00 am on the Second Court Date;
- (v) **(no ALE Prescribed Occurrence)** no ALE Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8.00 am on the Second Court Date;
- (vi) **(no CLW Prescribed Occurrence)** no CLW Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8.00 am on the Second Court Date;
- (vii) **(quotation approval for CLW Securities)** before 8.00 am on the Second Court Date, ASX provides approval for the official quotation of the CLW Securities to be issued pursuant to the Schemes, subject to any conditions that ASX may reasonably require, including customary pre-quotation conditions and conditions relating the Schemes becoming Effective;
- (viii) **(ASX Waivers)** before 8.00 am on the Second Court Date, ASX issues or provides such consents, waivers and approvals or does such other acts that are necessary to implement the Schemes and none of those consents, waivers or approvals has been withdrawn, revoked or adversely amended before 8.00 am on the Second Court Date; and
- (ix) **(Court approval)** the Court approves the Company Scheme in accordance with section 411(4)(b) of the Corporations Act and grants the Judicial Advice.

The Proposal will not become Effective unless all of these conditions are satisfied or waived (if applicable) in accordance with the Scheme Implementation Deed.

Consortium Acquirer and ALE have agreed to use their respective best endeavours to procure the satisfaction of the Conditions Precedent as soon as practicable after the date of the Scheme Implementation Deed.

The Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Deed.

(b) Exclusivity

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of Consortium Acquirer. These obligations may be summarised as follows:

- (i) **(No existing discussions)** ALE represents and warrants that as at the date of the Scheme Implementation Deed, other than the discussions with Consortium Acquirer in respect of the

Schemes, neither it nor any of its Representatives is currently in negotiations or discussions relating to any actual, proposed or potential Competing Proposal with any Third Party.

- (ii) **(No-shop)** During the Exclusivity Period, ALE must ensure that neither it nor any of its Representatives directly or indirectly:
 - (A) solicits, invites, encourages or initiates any enquiries, negotiations or discussions with a Third Party; or
 - (B) communicates any intention to do any of these things,with a view to obtaining, or which may reasonably be expected to lead to, a Competing Proposal.
- (iii) **(No-talk)** During the Exclusivity Period, ALE must ensure that neither it nor any of its Representatives:
 - (A) negotiates or enters into; or
 - (B) participates in negotiations or discussions with any other person in relation to, a Competing Proposal or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by ALE or any of its Representatives or the person has publicly announced the Competing Proposal.
- (iv) **(Due diligence information)** During the Exclusivity Period, ALE must ensure that neither it nor any of its Representatives:
 - (A) enables a Third Party to undertake due diligence investigations on any ALE Group Member or their businesses or operations; or
 - (B) makes available to a Third Party, or permits a Third Party to receive, any non-public information relating to an ALE Group Member or their businesses or operations,in connection with the formulation, development or finalisation of a Competing Proposal.
- (v) **(Exceptions)** The obligations in Sections 13.5(b)(iii) and 13.5(b)(iv) do not apply to the extent that they restrict ALE or any member of the ALE Board from taking or omitting to take any action with respect to an actual, proposed or potential Competing Proposal where the ALE Board has determined:
 - (A) after consultation with its legal and financial advisors and acting in good faith, such a Competing Proposal is, or could reasonably be considered to become, a Superior Proposal, taking into account all material terms and conditions of the Competing Proposal; and
 - (B) after receiving advice from its legal advisors, to take or omit to take such action in order to satisfy what the ALE Board considers to be the fiduciary or statutory obligations of ALE Directors.
- (vi) **(Notice of approaches)** During the Exclusivity Period, ALE must promptly notify Consortium Acquirer if it or its Representatives become aware (and in any event within 2 Business Days of becoming aware) of any actual, proposed or potential Competing Proposal (whether or not in writing).

A notification must include the identity of the relevant person making or proposing to make the Competing Proposal (and if different, details of the proposed acquirer), together with the material terms and conditions (including price) of the actual, proposed or potential Competing Proposal.
- (vii) **(Matching right)** During the Exclusivity Period, ALE must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which ALE agrees to implement or give effect to a Competing Proposal, unless:
 - (A) the ALE Board determines, after consultation with its legal and financial advisors and acting in good faith and in order to satisfy what the ALE Directors consider to be their statutory or fiduciary duties, that the Competing Proposal is, or could reasonably be considered to lead to, a Superior Proposal;

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- (B) ALE has provided Consortium Acquirer with the material terms and conditions of the bona fide, written Competing Proposal, including price and the identity of the Third Party making the bona fide, written Competing Proposal;
- (C) ALE has given Consortium Acquirer at least 5 Business Days after the date of the provision of the information referred to in Section 13.5(b)(vii)(B) to provide an equivalent or superior proposal to the terms of the bona fide, written Competing Proposal (**Counterproposal**); and
- (D) Consortium Acquirer has not announced or otherwise proposed in writing to ALE a proposal that the ALE Board, acting reasonably and in good faith, determines to be superior to the terms of the Competing Proposal by the expiry of the 5 Business Day period referred to in Section 13.5(b)(vii)(C).

Any material modification to any Competing Proposal notified to Consortium Acquirer (which will include any modification relating to the price or value of any Competing Proposal) will be taken to make that proposal a new Competing Proposal in respect of which ALE must comply with its obligations under this Section again.

- (viii) (**Counterproposal**) If Consortium Acquirer provides ALE with a Counterproposal before the expiry of the 5 Business Day period in Section 13.5(b)(vii)(C), ALE must use reasonable endeavours to procure that the ALE Board reviews the Counterproposal and if the ALE Board, acting reasonably and in good faith, determines that the Counterproposal would provide an equivalent or superior outcome for ALE Securityholders as a whole compared with the Competing Proposal, taking into account all of the material terms and conditions of the Counterproposal, then:
 - (A) ALE and Consortium Acquirer must use their reasonable endeavours to agree the amendments to the Scheme Implementation Deed and the Schemes that are reasonably necessary to reflect the Counterproposal and to implement the Counterproposal, in each case as soon as reasonably practicable; and
 - (B) ALE must use its reasonable endeavours to procure that each ALE Director continues to recommend the Schemes (as modified by the Counterproposal) to ALE Securityholders, and vote or procure the voting of all ALE Securities held or controlled by him or her in favour of the Schemes (as modified by the Counterproposal), other than as permitted by the Scheme Implementation Deed.

The exclusivity arrangements are set out in full in clause 11 of the Scheme Implementation Deed.

(c) Obligation to recommend the Schemes

- (i) The public announcement issued by ALE immediately after execution of the Scheme Implementation Deed must state (on the basis of written statements or resolutions made by each of the ALE Directors) that:
 - (A) the ALE Board unanimously recommends that ALE Securityholders vote in favour of the Schemes at the Scheme Meeting and all resolutions necessary to implement the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Schemes are in the best interests of ALE Securityholders (the **Recommendation**); and
 - (B) each ALE Director will, vote (or procure the voting of) all ALE Securities held or controlled by him or her in favour of the Schemes at the Scheme Meeting and all resolutions necessary to implement the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Schemes are in the best interests of ALE Securityholders (the **Voting Statement**).
- (ii) ALE must use reasonable endeavours to procure that:
 - (A) the Scheme Booklet includes the Recommendation;
 - (B) the Scheme Booklet includes a Voting Statement from each ALE Director; and
 - (C) the ALE Directors do not change or withdraw their Recommendation or Voting Statement.

- (iii) in each case, except:
 - (D) where the Independent Expert opines in the Independent Expert's Report (or any update of, or any revision, amendment or supplement to, the Independent Expert's Report) that the Schemes are not in the best interests of ALE Securityholders;
 - (E) where ALE receives a Competing Proposal, where the ALE Board has determined after consultation with its legal and financial advisors and subject to compliance with the obligations in clause 11 (exclusivity) of the Scheme Implementation Deed and acting in good faith, that the Competing Proposal is or could reasonably be expected to become a Superior Proposal;
 - (F) where in respect of the Recommendation or Voting Statement of any ALE Director:
 - (1) if a Court, ASIC, the Takeovers Panel or other Government Agency requires or requests that ALE Director to change, withdraw, qualify or modify, or abstain from making, his or her Recommendation or Voting Statement; or
 - (2) ALE reasonably determines that the relevant ALE Director has an interest in the Schemes that renders it inappropriate for him or her to make or maintain such Recommendation or Voting Statement and provided the Court would be unlikely to grant the orders contemplated under clause 3.1(i) of the Scheme Implementation Deed as a result of such interest in circumstances where the Recommendation or Voting Statement is made or maintained in respect of the relevant ALE Director.

The ALE Director recommendation arrangements are set out in full in clause 8 of the Scheme Implementation Deed.

(d) Payment of ALE Break Fee (payable by ALE)

ALE agrees to pay the Break Fee of \$11,000,000 to Consortium Acquirer if:

- (i) **(Competing Proposal)** during the Exclusivity Period, a Competing Proposal is announced and within 12 months of the date of the Scheme Implementation Deed, the Third Party who announced or made the Competing Proposal (or any of its Associates):
 - (A) completes in all material respects a transaction of the kind referred to in the definition of Competing Proposal; or
 - (B) otherwise acquires (either alone or in aggregate any of its Associates) a Relevant Interest in at least 20% of ALE Securities under a transaction that is or has become wholly unconditional or comes to Control (either alone or together with its Associates) ALE;
- (ii) **(change of recommendation)** during the Exclusivity Period:
 - (A) Consortium Acquirer has terminated the Scheme Implementation Deed in accordance with clause 15.3, which is summarised in Section 13.5(f)(iii); or
 - (B) ALE has terminated the Scheme Implementation Deed in accordance with clause 15.4, which is summarised in Section 13.5(f)(iv),

in each case, except:

- (C) where the Independent Expert concludes that in the opinion of the Independent Expert the Schemes are not in the best interests of the ALE Securityholders (except in circumstances where the sole or predominate reason for that conclusion is the announcement of a Competing Proposal);
- (D) where the ALE Board has determined (after the matching right process described in the Section above has been complied with) that ALE has received a Superior Proposal;
- (E) where the withdrawal, adverse change, modification or qualification occurs because of a requirement by a Court, ASIC or the Takeovers Panel that an ALE Director abstains from making a recommendation;
- (F) where ALE reasonably determines that the relevant ALE Director has an interest in the Schemes that renders it inappropriate for him or her to make or maintain any recommendation; or

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- (C) as a result of any matter or thing giving ALE the right to terminate the Scheme Implementation Deed for material breach by Consortium Acquirer;
- (iii) **(termination)** Consortium Acquirer validly terminates the Scheme Implementation Deed:
 - (A) due to a material breach by ALE as set out in Section 13.5(f)(i)(B); or
 - (B) for breach of an ALE Representation and Warranty as set out in Section 13.5(f)(ii)(A),
in each case, other than where, at the time of such termination, ALE has the right to terminate the Scheme Implementation Deed:
 - (C) due to a material breach by Consortium Acquirer, as set out in Section 13.5(f)(i)(B); or
 - (D) for breach of a Consortium Acquirer Representation and Warranty as set out in Section 13.5(f)(ii)(B).

However, the Break Fee is not payable if the Schemes nevertheless become Effective.

For full details of the Break Fee, see clause 13 of the Scheme Implementation Deed.

(e) Payment of Reverse Break Fee (payable by Consortium Acquirer)

Consortium Acquirer agrees to pay the Reverse Break Fee of \$11,000,000 to ALE if ALE validly terminates the Scheme Implementation Deed:

- (i) due to a material breach by Consortium Acquirer as set out in Section 13.5(f)(i)(B); or
- (ii) for breach of a Consortium Acquirer Representation and Warranty or a Guarantor Representation and Warranty as set out in Section 13.5(f)(ii)(B),

in each case, other than where, at the time of such termination, Consortium Acquirer has the right to terminate the Scheme Implementation Deed:

- (iii) due to a material breach by Consortium Acquirer as set out in Section 13.5(f)(i)(B); or
- (iv) for breach of an ALE Representation and Warranty as set out in Section 13.5(f)(ii)(A).

For full details of the Reverse Break Fee, see clause 14 of the Scheme Implementation Deed.

(f) Termination

- (i) **(termination by either party)**

Either party (**terminating party**) may terminate the Scheme Implementation Deed by notice to the other:

- (A) in certain circumstances where:
 - (1) there is a breach or non-fulfillment of a Condition Precedent which is not waived in accordance with the Scheme Implementation Deed by the time or date specified in the Scheme Implementation Deed for the satisfaction of the relevant Condition Precedent; or
 - (2) there is an act, failure to act or occurrence that would prevent a Condition Precedent being satisfied by the time and date specified in the Scheme Implementation Deed for the satisfaction of that Condition Precedent; or
 - (3) one or more of the Conditions Precedent has not been satisfied or waived by the End Date or becomes incapable of being satisfied by the End Date, and

after consulting in good faith, the parties are unable to reach an agreement to implement the Scheme by alternative means, extend the relevant time for satisfaction of the Condition Precedent, change the date of the application to be made to the Court for the granting of the Court orders in connection with the Schemes or the Judicial Advice or to adjourn such application (as applicable), or to extend the End Date;

- (B) if at any time before 8.00 am on the Second Court Date the other party is in material breach of any clause of the Scheme Implementation Deed (other than a breach of ALE Representation and Warranty, a Consortium Acquirer Representation and Warranty or a Guarantor Representation and Warranty); or

- (C) if the Schemes have not become Effective on or before the End Date; or
 - (D) if the Scheme Resolutions are not approved by the requisite majority at the Scheme Meeting.
- (ii) **(termination for breach of representation and warranties)**
- (A) Consortium Acquirer may, at any time prior to 8.00 am on the Second Court Date, terminate the Scheme Implementation Deed for breach of an ALE Representation and Warranty only if:
 - (1) Consortium Acquirer has given written notice to ALE setting out the relevant circumstances and stating an intention to terminate or to allow the Schemes to lapse;
 - (2) the relevant breach continues to exist 5 Business Days (or any shorter period ending at 5.00 pm on the Business Day before the Second Court Date) after the date on which the notice is given; and
 - (3) the loss that would reasonably be expected to follow from such a breach is material in the context of the Schemes taken as a whole.
 - (B) ALE may, at any time before 8.00 am on the Second Court Date, terminate the Scheme Implementation Deed for breach of a Consortium Acquirer Representation and Warranty or a Guarantor Representation and Warranty only if:
 - (1) ALE has given written notice to Consortium Acquirer setting out the relevant circumstances and stating an intention to terminate or to allow the Schemes to lapse;
 - (2) the relevant breach continues to exist 5 Business Days (or any shorter period ending at 5.00 pm on the Business Day before the Second Court Date) after the date on which the notice is given; and
 - (3) the loss that would reasonably be expected to follow from such a breach is material in the context of the Schemes taken as a whole.
- (iii) **(termination by Consortium Acquirer)** Consortium Acquirer may terminate the Scheme Implementation Deed by written notice to ALE before 8.00 am on the Second Court Date if:
- (A) either a majority of the ALE Directors or a majority of the independent ALE Directors have changed, withdrawn or adversely modified their Recommendation or Voting Statement or made a public statement supporting or endorsing a Competing Proposal; or
 - (B) ALE enters into an agreement to implement a Competing Proposal.
- (iv) **(termination by ALE)** ALE may terminate the Scheme Implementation Deed at any time before 8.00 am on the Second Court Date by notice in writing to Consortium Acquirer if:
- (A) a majority of the independent ALE Directors have withdrawn their Recommendation or Voting Statement or made a public statement supporting or endorsing a Competing Proposal; and
 - (B) ALE has complied with its obligations set out in clause 11 (exclusivity) and clause 13 (break fee) of the Scheme Implementation Deed (including payment of the Break Fee, if applicable).

The termination provisions are set out in full in clause 15 of the Scheme Implementation Deed.

(g) Guarantee

In consideration of ALE entering into the Scheme Implementation Deed at the request of CLW and Hostplus (**Guarantors**), each Guarantor:

- (i) unconditionally and irrevocably guarantees to ALE on demand, the due and punctual performance by Consortium Acquirer of all of its obligations under the Scheme Implementation Deed; and
- (ii) separately indemnifies ALE against:

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- (A) any and all Liabilities which may be incurred or sustained by ALE in connection with any default or delay by Consortium Acquirer in the due and punctual performance of any of its obligations under the Scheme Implementation Deed, and any Liability ALE is entitled to recover pursuant to the Scheme Implementation Deed which is not recoverable from Consortium Acquirer; and
- (B) any amount that Consortium Acquirer would have been liable to pay to ALE, or which would have been recoverable by ALE, but for Consortium Acquirer's liquidation.

The above guarantee does not apply to Hostplus, and Hostplus shall not guarantee or indemnify ALE in respect of, any obligations of Consortium Acquirer under the Scheme Implementation Deed to the extent they relate to clauses 3.1(f) (no CLW Prescribed Occurrence), 3.1(g) (quotation approval for CLW Securities), 3.1(h) (ASX Waivers), 3.4 (Regulatory Approvals), 7.3 (Conduct of CLW Business) or Consortium Acquirer Representations and Warranties set out at paragraphs 12 and 14 to 19 (inclusive) of the Scheme Implementation Deed.

The guarantee provisions are set out in full in clause 19 of the Scheme Implementation Deed.

(h) Representations and warranties

Each of Consortium Acquirer, ALE, CLW and Hostplus has given representations and warranties which are customary for an agreement of this kind.

The representations and warranties given by Consortium Acquirer, ALE, CLW and Hostplus are set out in full in Schedule 1, Schedule 2 and Schedule 3 (Part A and B) respectively of the Scheme Implementation Deed.

13.6 Suspension of trading of ALE Securities

If the Court approves the Schemes, ALE will notify ASX. It is expected that suspension of trading on ASX in ALE Securities will occur from close of trading on the Effective Date. This is expected to occur on Wednesday, 8 December 2021.

13.7 Warranties by ALE Scheme Securityholders

Under clause 8.4 of the ALE Scheme of Arrangement contained in Annexure B, each ALE Scheme Securityholder is deemed to have warranted to Consortium Acquirer and, to the extent enforceable, to have appointed and authorised ALE as that ALE Scheme Securityholder's agent and attorney to warrant to Consortium Acquirer, that:

- (a) all of their ALE Scheme Securities (including any rights and entitlements attaching to those ALE Scheme Securities) will, at the time of the transfer of them to Consortium Acquirer or Consortium Acquirer Nominee (as applicable) pursuant to the Schemes be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- (b) they have full power and capacity to sell and to transfer their ALE Scheme Securities (together with any rights and entitlements attaching to those ALE Scheme Securities) to Consortium Acquirer or Consortium Acquirer Nominee (as applicable) pursuant to the Schemes; and
- (c) as at the Record Date, each ALE Scheme Securityholder has no existing right to be issued any ALE Securities or any other form of securities in ALE Group.

ALE undertakes in favour of each ALE Scheme Securityholder that it will provide such warranty, to the extent enforceable, to Consortium Acquirer on behalf of that ALE Scheme Securityholder.

13.8 Regulatory relief

(a) ASX Relief

- (i) ALE has applied for, and ASX has granted:
 - (A) a confirmation that it does not object to the proposed amendments to the ALE Trust Constitution or the Scheme Booklet under ASX Listing Rule 15.1;

- (B) a confirmation that the amendments to the ALE Trust Constitution are appropriate and equitable for the purpose of ASX Listing Rule 6.12.3;
 - (C) a confirmation that the timetable for the Proposal is acceptable for the purpose of Appendix 7A of the ASX Listing Rules;
 - (D) a confirmation that it does not object to the unstapling of ALE Securities; and
- (ii) CLW has applied for a waiver from ASX Listing Rule 7.1 in respect of the issue of new CLW Securities as consideration under the Proposal.

(b) ASIC Relief

ALE and CLW have applied for, and ASIC has granted:

- (i) a modification to the Corporations Act to enable all ALE Scheme Securityholders (other than those excluded from voting) to vote on the Scheme Resolutions pursuant to item 7 of section 611 of the Corporations Act;
- (ii) an exemption in favour of ALE, Consortium Acquirer and CLW under Division 2 of Part 7.7 of the Corporations Act from the requirement to provide a financial services guide in connection with this Scheme Booklet;
- (iii) relief from section 601FC(1)(d) of the Corporations Act to the extent necessary for Ineligible Foreign Securityholders not to receive new CLW Securities under the Proposal;
- (iv) an exemption from any requirement for Consortium Acquirer to comply with Division 5A of Part 7.9 of the Corporations Act in relation to the proposed offer to acquire ALE Securities under the Proposal;
- (v) relief from section 911A of the Corporations Act from the requirement for CLW or Consortium Acquirer to hold an Australian Financial Services Licence in relation to any financial product advice provided in this Scheme Booklet;
- (vi) an exemption from section 1012B of the Corporations Act in relation to the requirement to prepare a product disclosure statement in respect of the new CLW Securities to be issued under the Proposal; and
- (vii) an exemption from section 1012C of the Corporations Act in relation to the requirement that an ALE Scheme Securityholder or the Sale Agent issue a product disclosure statement before on-selling CLW Securities issued under the Proposal.

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13.9 Consents and disclosures

- (a) The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:
 - (i) Macquarie Capital and E&P Corporate Advisory as financial advisers to ALE Group;
 - (ii) Link Market Services as the manager of the ALE Share Register; and
 - (iii) Allens as legal adviser and taxation adviser to ALE Group in relation to the Schemes.
- (b) The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Annexure A to this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.
- (c) Consortium Acquirer, Consortium Acquirer Nominee, CLW and Hostplus have each given, and have not withdrawn, their consent to be named in this Scheme Booklet and in relation to the inclusion of Consortium Acquirer Information and CLW Provided Information (as applicable) in this Scheme Booklet in the form and context in which that information is included.
- (d) Caledonia (Private) Investments Pty Ltd has given and has not withdrawn its consent to be named in this Scheme Booklet and in relation to the inclusion of its voting intention statement in this Scheme Booklet in the form and context in which that information is included.
- (e) Each person named in this Section 13.9:
 - (i) has not authorised or caused the issue of this Scheme Booklet;
 - (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this Section 13.9; and
 - (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this Section 13.9.

13.10 ALE Directors' interests in Consortium Acquirer, Consortium Acquirer Nominee, Hostplus or CLW

Guy Farrands has the following Relevant Interests in Charter Hall Group:

- (a) 6,906 securities held in the name of Kanook Pty Ltd as trustee for Kanook Superannuation Fund; and
- (b) 6,724 securities held in the name of Tiger Custodians as trustee for Tiger Trust.

Except as disclosed above, no ALE Director has a Relevant Interest in any marketable securities of Consortium Acquirer, Consortium Acquirer Nominee, Hostplus or CLW.

13.11 No unacceptable circumstances

ALE Group believes that the Proposal does not involve any circumstances in relation to the affairs of ALE Group that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

13.12 No other information material to the making of a decision in relation to the Schemes

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information that is contained in the Annexures to this Scheme Booklet, there is no other information that is material to the making of a decision by an ALE Securityholder whether or not to vote in favour of the Scheme Resolutions to approve the Schemes, being information that is known to any ALE Director and which has not previously been disclosed to ALE Securityholders.

13.13 Supplementary information

If ALE becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Court Approval Date:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC,

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

- (a) making an announcement to ASX;
- (b) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (c) posting the supplementary document to ALE Securityholders at their registered address as shown in the ALE Register; or
- (d) posting a statement on ALE's website,

as ALE in its absolute discretion considers appropriate.

13.14 Transaction costs

ALE Group will incur external transaction costs in connection with the Schemes. Certain of these costs are conditional on the Schemes proceeding, and if the Schemes are implemented, these will effectively be borne by Consortium Acquirer who will have acquired ALE Group from implementation. If the Schemes are implemented, ALE Group expects to pay an aggregate of approximately \$21.03 million (excluding GST) in external transaction costs in connection with the Schemes. If the Schemes are not implemented, ALE Group expects that external transaction costs will be approximately \$2.63 million (excluding GST). These transaction costs are primarily payable to ALE Group's financial, legal and tax advisors, the Independent Expert and the ALE Registry.

These transaction costs do not include any Break Fee that may be payable by ALE (see Section 13.5(d) for information on the circumstances in which a Break Fee may be payable by ALE).

14. Glossary and interpretation

14.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below.

Term	Meaning
2021 AGM	the Annual General Meeting of shareholders of ALE and a meeting of the unitholders of ALE Trust to be held at 10.00 am (Sydney time) on Thursday, 2 December 2021.
Adviser	in relation to an Entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity in the ordinary course of its business and to the market in general and who has been engaged in that capacity in connection with the Schemes by that Entity.
ALE	Australian Leisure and Entertainment Property Management Limited (ACN 105 275 278) in its own capacity and as responsible entity for the ALE Trust.
ALE Board	the board of directors of ALE.
ALE Constitution	the constitution of ALE (as amended from time to time).
ALE Director	each director of the ALE Board.
ALE Group or ALE Property Group	ALE, ALE Trust and each of their Controlled Entities.
ALE Group Constitutions	ALE Constitution and ALE Trust Constitution (in each case as amended from time to time).
ALE Group Member	a member of ALE Group.
ALE Prescribed Occurrence	any of the following occurrences: <ul style="list-style-type: none">(a) (conversion) ALE or ALE Trust (acting through ALE) converts all or any of its securities into a larger or smaller number of securities or a resolution is passed to do so;(b) (reduction of capital) ALE or ALE Trust (acting through ALE) reduces or resolves to reduce its capital in any way;(c) (redemption) ALE Trust (acting through ALE) redeems any of its securities or resolves to redeem any of its securities;(d) (buy back) ALE or ALE Trust (acting through ALE) buys back or agrees to buy back any of its securities including:<ul style="list-style-type: none">(i) entering into a buy-back agreement; or(ii) resolving to approve the terms of a buy-back agreement the Corporations Act;(e) (issuing units or options) an ALE Group Member issues securities or grants an option over its securities, or agrees to make such an issue or grant such an option, other than:<ul style="list-style-type: none">(i) by an ALE Group Member (other than ALE or ALE Trust) to another ALE Group Member; or(ii) the issue of ALE Securities upon the exercise or vesting of ESSS Rights which are on issue as at the date of the Scheme Implementation Deed;(f) (convertible securities) an ALE Group Member issues or agrees to issue convertible notes or other security or instruments convertible into its securities;(g) (Encumbrances) an ALE Group Member creates, or agrees to create, any Encumbrance over all or a substantial part of the business or assets of ALE Group;(h) (assets) an ALE Group Member disposes, or agrees to dispose, of the whole or a substantial part of the business or property of ALE Group;

Term	Meaning
ALE Prescribed Occurrence (continued)	<ul style="list-style-type: none"> (i) (wound up) any ALE Group Member resolves to be wound up; (j) (liquidator) a liquidator or provisional liquidator of any ALE Group Member is appointed; (k) (court order) a court makes an order for the winding up of any ALE Group Member; (l) (administrator) an administrator of any ALE Group Member is appointed under the Corporations Act; (m) (company arrangement) any ALE Group Member executes a deed of company arrangement; (n) (receiver) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of any ALE Group Member; (o) (Trusts) any of the following occur: <ul style="list-style-type: none"> (i) ALE ceases to be the responsible entity of ALE Trust or of the ALE Direct Property Trust No.3 (ARSN 121 295 092); (ii) The Trust Company (Australia) Limited ceases to be the trustee of the ALE Direct Property Trust; (iii) the ALE Securityholders or an ALE Group Member (as applicable) resolves to remove or replace ALE as responsible entity of ALE Trust or the responsible entity or trustee of any ALE Group Member (as applicable); (iv) a meeting being convened to consider a resolution for the removal, retirement or replacement of ALE as responsible entity of ALE Trust or the responsible entity or trustee of any ALE Group Member; or (v) any application being made in any court for the appointment of a temporary responsible entity of ALE Trust or any ALE Group Member in accordance with the Corporations Act; (p) (resettlement) ALE (or its Representatives) effects or facilitates the resettlement of ALE Trust Property; (q) (delisting and extended suspension) ALE or ALE Trust cease to be admitted to the official list of ASX or ALE Securities cease to be quoted by ASX or ALE or ALE Trust is suspended from trading by ASX for a consecutive period of more than 2 weeks; (r) (deregistration) ALE Trust (acting through ALE) or any ALE Group Member becomes or takes steps to become deregistered as a registered managed investment scheme or is otherwise dissolved; (s) (distributions) other than a Permitted Distribution, ALE or ALE Trust (acting through ALE) declares, resolves to pay or pays any dividend, distribution or share of its profits or assets or returning or agreeing to return any capital to its securityholders or unitholders (whether in cash or in specie); (t) (constituent documents) any ALE Group Member makes any change to its constitution or other constituent documents; or (u) (indebtedness) any ALE Group Member incurs any financial indebtedness or issues any indebtedness or debt securities other than: <ul style="list-style-type: none"> (i) in the ordinary course and usual course of business, including by way of drawdown of available funding under facility arrangements fairly disclosed in the ALE due diligence material; or (ii) to or from any other ALE Group Member.
ALE Provided Information	<p>all information included in this Scheme Booklet, and any updates to that information prepared by or on behalf of ALE other than:</p> <ul style="list-style-type: none"> (a) Consortium Acquirer Information; (b) CLW Provided Information; (c) the Independent Expert's Report; and (d) any description of the taxation effect of the Schemes prepared by an Advisor to ALE.

Glossary and interpretation

Term	Meaning
ALE Register	the register of holders of ALE Securities maintained in accordance with the Corporations Act.
ALE Registry	means Link Market Services Limited or any replacement provider of share registry services to ALE.
ALE Representations and Warranties	the representations and warranties of ALE set out in Schedule 2 of the Scheme Implementation Deed.
ALE Scheme Securities	all ALE Securities on issue as at the Record Date.
ALE Scheme Securityholder	each person who is registered on the ALE Register as a holder of ALE Scheme Securities as at the Record Date.
ALE Scheme Shares	all Company Shares on issue as at the Record Date.
ALE Scheme Units	all Trust Units on issue as at the Record Date.
ALE Security	a stapled security in ALE Group consisting of one Company Share and one Trust Unit.
ALE Securityholder	a person who is registered on the ALE Register as a holder of ALE Securities from time to time, and, for the avoidance of doubt, includes a person who is registered on the ALE Register as the holder of Trust Units and/or Company Shares on or after the Unstapling.
ALE Trust	Australian Leisure and Entertainment Property Trust (ARSN 106 063 049).
ALE Trust Constitution	the constitution of ALE Trust (as amended from time to time).
ALE Trust Property	the scheme property of ALE Trust including all of ALE's rights, property and undertakings the subject of ALE Trust of whatever kind and wherever situated and whether present or future.
ALH	Australian Leisure and Hospitality Group Pty Limited (ACN 067 391 511).
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning set out in section 12(2)(b) and (c) of the Corporations Act, where for the purposes of section 12, the 'designated body' is ALE.
ASX	ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as 'ASX' operated by ASX Limited.
ASX Listing Rules	the official listing rules of ASX.
Available Cash Consideration	\$3.67320244469014 multiplied by the number of ALE Scheme Securities, as reduced in accordance with clause 4.8 of the Scheme Implementation Deed and as described in Section 4.3(c).
Available Scrip Consideration	such number of CLW Securities as is equal to 0.408039354484537 multiplied by the number of ALE Scheme Securities.
Break Fee	\$11,000,000.
Business Day	any day that is each of the following: <ul style="list-style-type: none"> (a) a Business Day within the meaning given in the ASX Listing Rules; and (b) a day that banks are open for business in Sydney, New South Wales.
Charter Hall Group	Charter Hall Group, comprising Charter Hall Limited (ACN 113 531 150) and Charter Hall Property Trust (ARSN 113 339 147).

Term	Meaning
CHESSE	the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited, a wholly-owned subsidiary of ASX.
CHWALE	Charter Hall WALE Limited (ACN 610 772 202).
Claim	in relation to a person, a demand, claim, action or proceeding made or brought by or against the person, however arising and whether present, unascertained, immediate, future or contingent.
CLW	DIF and Finance Trust.
CLW Board	the board of directors of CHWALE.
CLW Constitutions	the constitutions of the CLW Trusts (in each case as amended from time to time).
CLW Director	each director of the CLW Board.
CLW Group	CHWALE, the CLW Trusts and each of their Controlled Entities.
CLW Prescribed Occurrence	<p>any of the following occurrences:</p> <ul style="list-style-type: none"> (a) (conversion) either or both of the CLW Trusts (acting through CHWALE) converts all or any of its securities into a larger or smaller number of securities or a resolution is passed to do so; (b) (reduction of capital) either or both of the CLW Trusts (acting through CHWALE) reduces or resolves to reduce its capital in any way; (c) (redemption) either or both of the CLW Trusts (acting through CHWALE) redeems any of their securities or resolves to redeem any of their securities; (d) (buy back) either or both of the CLW Trusts (acting through CHWALE) buys back or agrees to buy back any of their securities, including: <ul style="list-style-type: none"> (i) entering into a buy-back agreement; or (ii) resolving to approve the terms of a buy-back agreement the Corporations Act; (e) (issuing units or options) either or both of the CLW Trusts (acting through CHWALE) issues securities or grants an option over its securities, or agrees to make such an issue or grant such an option, other than: <ul style="list-style-type: none"> (i) by a member of the CLW Group (other than CHWALE or either or both of CLW Trusts) to another member of the CLW Group; (ii) the issue of CLW Securities upon the exercise or vesting of CLW incentive rights which are on issue as at the date of the Scheme Implementation Deed; (iii) the issue of ALE Securities in accordance with the CLW Group's distribution reinvestment plan established as at the date of the Scheme Implementation Deed; or (iv) as consideration for an acquisition of any entity, business or assets which has been disclosed to ALE in writing prior to the date of the Scheme Implementation Deed; (f) (convertible securities) either or both of the CLW Trusts (acting through CHWALE) issues or agrees to issue convertible notes or other security or instrument convertible into its securities; (g) (Encumbrances) either or both of the CLW Trusts (acting through CHWALE) creates, or agrees to create, any Encumbrance over all or a substantial part of the business or assets of the CLW Group; (h) (assets) either or both of the CLW Trusts (acting through CHWALE) disposes, or agrees to dispose, of the whole or a substantial part of the business or property of the CLW Group; (i) (wound up) any member of the CLW Group resolves to be wound up; (j) (liquidator) a liquidator or provisional liquidator of any member of the CLW Group is appointed;

Glossary and interpretation

Term	Meaning
CLW Prescribed Occurrence (continued)	<p>(k) (court order) a court makes an order for the winding up of any member of the CLW Group;</p> <p>(l) (administrator) an administrator of any member of the CLW Group is appointed under the Corporations Act;</p> <p>(m) (company arrangement) any member of the CLW Group executes a deed of company arrangement;</p> <p>(n) (receiver) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of any member of the CLW Group;</p> <p>(o) (Trusts) any of the following occur:</p> <p>(i) CHWALE ceases to be the responsible entity of either or both of the CLW Trusts;</p> <p>(ii) the securityholders of the CLW Trusts resolve to remove or replace CHWALE as responsible entity of either or both of the CLW Trusts or the trustee of any CLW Group Member that CHWALE Controls;</p> <p>(iii) a meeting being convened to consider a resolution for the removal, retirement or replacement of CHWALE as responsible entity of either or both of the CLW Trusts; or</p> <p>(iv) any application being made in any court for the appointment of a temporary responsible entity of either or both of the CLW Trusts or any member of the CLW Group in accordance with the Corporations Act;</p> <p>(p) (resettlement) CHWALE (or its Representatives) effects or facilitates the resettlement of CLW Trust Property;</p> <p>(q) (delisting and extended suspension) either or both of the CLW Trusts ceases to be admitted to the official list of ASX or CLW Securities cease to be quoted by ASX or CLW is suspended from trading by ASX for a consecutive period of more than 2 weeks; or</p> <p>(r) (deregistration) either or both of the CLW Trusts (acting through CHWALE) or any member of the CLW Group becomes or takes steps to become deregistered as a registered managed investment scheme or is otherwise dissolved.</p>
CLW Provided Information	all information provided by Consortium Acquirer to ALE for inclusion in the Scheme Booklet regarding CLW and the CLW Securities. For the avoidance of doubt, CLW Provided Information does not include the ALE Provided Information, Consortium Acquirer Information, the Independent Expert's Report, any third party tax advice or any other information about ALE.
CLW Security	a security comprising one unit in each of the CLW Trusts stapled together such that they cannot be dealt with separately.
CLW Securityholder	a person who is registered as a holder of CLW Securities from time to time.
CLW Trust Property	the property of the CLW Trusts including all of CLW's rights, property and undertakings the subject of the CLW Trusts of whatever kind and wherever situated and whether present or future.
CLW Trusts	each of DIF and Finance Trust.
Company Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between ALE in its own right and ALE Scheme Securityholders in the form of Annexure B (or such other form agreed to in writing between ALE, Consortium Acquirer, CLW and Hostplus).
Company Scheme Meeting	the meeting of ALE Securityholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Company Scheme, and includes any adjournment of that Meeting.

Term	Meaning
Company Scheme Resolutions	<p>the following resolutions to be put to ALE Securityholders to approve the Company Scheme:</p> <ul style="list-style-type: none"> (a) a special resolution approving the acquisition by Consortium Acquirer Nominee of all of the Company Shares; and (b) an ordinary resolution of holders of Company Shares to approve the Unstapling on the Implementation Date.
Company Share	a fully paid ordinary share in ALE.
Competing Proposal	<p>any proposal, agreement, arrangement or transaction, which, if entered into or completed, would result in a Third Party (either alone or together with any Associates):</p> <ul style="list-style-type: none"> (a) acquiring, directly or indirectly, a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, or the right to vote, 20% or more of ALE Securities; (b) directly or indirectly acquiring Control of ALE; (c) directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part or material part of all of the business or assets of ALE Group; or (d) directly or indirectly acquiring or merging with ALE Group, <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved transaction, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger) or other transaction or arrangement. For the purposes of paragraph (a) above, a Third Party does not include any party that as at the date of the Scheme Implementation Deed has a Relevant Interest in 20% or more of all ALE Securities.</p>
Consortium Acquirer	Bieson Pty Limited (ACN 110 465 168) as trustee for the CH LEP Investment Trust.
Consortium Acquirer Group	each of Consortium Acquirer, CLW and Hostplus.
Consortium Acquirer Information	all information provided by Consortium Acquirer to ALE for inclusion in the Scheme Booklet regarding the Consortium Members (other than CLW). For the avoidance of doubt, Consortium Acquirer Information does not include the ALE Provided Information, the CLW Provided Information, the Independent Expert's Report, any third party tax advice or any other information about ALE.
Consortium Acquirer Nominee	Charter Hall Holdings Pty Limited (ACN 051 363 547).
Consortium Acquirer Party	Consortium Members and each of their respective Officers and Advisers.
Consortium Acquirer Representations and Warranties	the representations and warranties of Consortium Acquirer set out in Schedule 1 of the Scheme Implementation Deed.
Consortium Member	<ul style="list-style-type: none"> (a) Consortium Acquirer Nominee; (b) CLW; (c) Hostplus; (d) Consortium Acquirer; and (e) any of their Related Bodies Corporate.
Control	has the meaning given in section 50AA of the Corporations Act and Controlled has a corresponding meaning.
Controlled Entities	in relation to an Entity, another Entity which is a Subsidiary of it, or which is Controlled by it.

Glossary and interpretation

Term	Meaning
Corporations Act	the <i>Corporations Act 2001</i> (Cth), as amended by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.
Counterproposal	has the meaning given in Section 13.5(b)(vii)(C).
Court	the Supreme Court of New South Wales or such other court of competent jurisdiction as Consortium Acquirer and ALE may agree in writing (other than where used in Section 5.11, in which the term is separately defined).
Deed Poll	the deed poll executed by Consortium Acquirer, CHWALE and Hostplus in favour of the ALE Scheme Securityholders contained in Annexure C.
DIF	Charter Hall Direct Industrial Fund (ARSN 144 613 641).
Double Net Lease	type of lease structure whereby the tenant is responsible for paying rates and insurance, as well as land tax in all states except Queensland, with the landlord responsible for structural repairs of the properties.
E&P Corporate Advisory	E&P Corporate Advisory Pty Limited (ACN 137 980 520).
Effective	<ul style="list-style-type: none"> (a) in relation to the Trust Scheme, the Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act; and (b) in relation to the Company Scheme, the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act.
Effective Date	the date on which the Schemes become Effective.
Election	the election described in Section 4.4 and the Election Form.
Election Date	5.00 pm (Sydney time) on Thursday, 25 November 2021.
Election Form	the election form provided with this Scheme Booklet under which each ALE Scheme Securityholder may elect to receive either Mixed Consideration, Maximum Cash Consideration or Maximum Scrip Consideration in respect of all of their ALE Scheme Securities.
Encumbrance	any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, Claim, covenant, profit a prendre, easement or any other security arrangement or any other arrangement having the same effect.
End Date	the date which is six months from the date of the Scheme Implementation Deed, or such later date as Consortium Acquirer and ALE may agree in writing.
Endeavour Group	Endeavour Group Limited (ACN 159 767 843).
Entity	a natural person, a body corporate, a partnership, a trust and the trustee of a trust.
ESSS Rights	rights granted by ALE under ALE's Executive Stapled Security Scheme which entitles the holder to receive an ALE Security in certain circumstances.
Exclusivity Period	<p>the period commencing on the date of the Scheme Implementation Deed and ending on the earlier of:</p> <ul style="list-style-type: none"> (a) the termination of the Scheme Implementation Deed in accordance with its terms; (b) the Implementation Date; and (c) the End Date.
Finance Trust	LWR Finance Trust (ARSN 614 713 138).

Term	Meaning
First Court Date	<p>the first day:</p> <ul style="list-style-type: none"> (d) on which an application made to the Court for orders under section 411(1) of the Corporations Act that the Scheme Meetings be convened is heard; and (e) of hearing of an application made to the Court by ALE for the First Judicial Advice, <p>or, if the hearing of that application is adjourned for any reason, means the first day of the adjourned hearing.</p>
First Judicial Advice	<p>confirmation from the Court under section 63 of the <i>Trustee Act 1925</i> (NSW) that:</p> <ul style="list-style-type: none"> (a) ALE would be justified in convening the Scheme Meetings for the purposes of considering the Trust Scheme Resolutions; and (b) subject to the ALE Securityholders (as holders of Trust Units) passing the Trust Scheme Resolutions, ALE would be justified in proceeding on the basis that amending the ALE Trust Constitution as set out in the Supplemental Deed would be within the powers of alteration conferred by the ALE Trust Constitution and section 601GC of the Corporations Act.
Government Agency	any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity.
Guarantor Representation and Warranty	the representations and warranties of each of CHWALE and Hostplus set out in Schedule 3 of the Scheme Implementation Deed.
Guarantors	CHWALE and Hostplus.
Guidance Note 15	Guidance Note 15: Trust Scheme Mergers issued by the Takeovers Panel of Australia.
Hostplus	Host-Plus Pty Limited (ACN 008 634 704) as trustee for the Hostplus Pooled Superannuation Trust (ABN 13 140 019 340).
Hostplus Superannuation Fund	Host-Plus Pty Ltd (ACN 008 634 704) as trustee of the Hostplus Superannuation Fund.
Implementation Date	four Business Days following the Record Date, or such other date as ALE and Consortium Acquirer may agree in writing.
Independent Expert	Kroll.
Ineligible Foreign Securityholder	an ALE Scheme Securityholder whose address, as shown in the ALE Register (as at the Record Date), is in a place outside Australia and Australia's external territories, unless ALE is satisfied, acting reasonably, that the laws of that place permit the allotment and issue of CLW Securities to that ALE Scheme Securityholder pursuant to the Schemes, either unconditionally or after compliance with conditions that ALE in its sole discretion regards as acceptable and not unduly onerous or impracticable.
Judicial Advice	the First Judicial Advice and the Second Judicial Advice.
Kroll	Duff & Phelps Australia Pty Limited (ACN 116 738 535) trading as Kroll.
Link Market Services	Link Market Services Limited (ACN 083 214 537).
Macquarie Capital	Macquarie Capital (Australia) Limited (ACN 123 199 548).
Maximum Cash Consideration	an amount of \$5.68075606875406 for each ALE Scheme Security held by an ALE Scheme Securityholder, as reduced by the Permitted Distribution Amount (if any) as described Section 4.3(c).

Glossary and interpretation

Term	Meaning
Maximum Scrip Consideration	1.15462521722643 CLW Securities for each ALE Scheme Security held by an ALE Scheme Securityholder, as reduced by the Permitted Distribution Amount (if any) as described Section 4.3(d).
Merged Group	CLW and its Controlled Entities, immediately after implementation of the Proposal (which, for the avoidance of doubt, will include ALE Group).
Mixed Consideration	\$3.67320244469014 and 0.408039354484537 CLW Securities for each ALE Scheme Security held by an ALE Scheme Securityholder, as reduced by the Permitted Distribution Amount (if any) as described Section 4.3(b).
NIVUS	no income voting units in the ALE Trust.
Officer	in relation to an Entity, any of its directors, officers and employees.
Permitted Distribution	a distribution declared or determined to be paid by the ALE Board to ALE Securityholders following the date of this Scheme Booklet in the ordinary course on a quarterly basis.
Permitted Distribution Amount	the amount of any Permitted Distribution per ALE Security, declared or determined pursuant to clause 4.7 of the Scheme Implementation Deed other than the distribution related to the quarter ended 30 September 2021, announced on ASX by ALE on 20 September 2021 and scheduled to be paid on 15 November 2021.
Pro Forma NTA	unaudited pro forma 30 June 2021 NTA, adjusted for revised independent valuation assessments as at 30 August 2021, as announced on ASX on 20 September 2021.
Proposal	the Proposal is for Consortium Acquirer to acquire all of the ALE Scheme Units, and for Consortium Acquirer Nominee to acquire all the ALE Scheme Shares pursuant to the Schemes.
Recommendation	has the meaning given in Section 13.5(c)(i)(A).
Record Date	7.00 pm on the date that is the third Business Day after the Effective Date, or such other date as may be agreed in writing between Consortium Acquirer and ALE or as may be required by ASX.
Relevant Interest	has the meaning given in the Corporations Act.
Representatives	means, in relation to Consortium Acquirer or ALE: <ol style="list-style-type: none"> (a) each other member of Consortium Acquirer Group or ALE Group (as applicable); (b) an Officer of a member of Consortium Acquirer Group or ALE Group (as applicable); or (c) an Adviser to a member of Consortium Acquirer Group or ALE Group (as applicable).
Reverse Break Fee	\$11,000,000.
Sale Agent	the sale agent appointed by the Consortium Acquirer to sell the Sale Securities.
Sale Facility	the facility established for the sale of ALE Securities on behalf of Ineligible Foreign Securityholders as described in Section 4.3(g).
Sale Security	has the meaning given in Section 4.3(g).
Scaleback Arrangements	the arrangements set out in Sections 4.3(c) and 4.3(d), which arrangements are for the purposes of ensuring that the aggregate cash component and the aggregate CLW Security component of the Scheme Consideration required to be provided by Consortium Acquirer under the terms of the Schemes do not exceed the Available Cash Consideration and the Available Scrip Consideration respectively.

Term	Meaning
Scheme Booklet	this scheme booklet and explanatory memorandum, which has been prepared by ALE Group in accordance with section 412 of the Corporations Act.
Scheme Consideration	the consideration to be provided to ALE Scheme Securityholders under the terms of the Schemes for the transfer to Consortium Acquirer of their ALE Scheme Securities, being: <ul style="list-style-type: none"> (a) the Maximum Cash Consideration; (b) the Maximum Scrip Consideration; or (c) the Mixed Consideration.
Scheme Meetings	Company Scheme Meeting and Trust Scheme Meeting.
Scheme Resolutions	the Trust Scheme Resolutions and the Company Scheme Resolutions.
Schemes	the Trust Scheme and the Company Scheme, and Scheme means either of them (as the case may be).
Second Court Date	the first day: <ul style="list-style-type: none"> (a) on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Company Scheme is heard; and (b) of hearing of an application made to the Court by ALE for the Second Judicial Advice, or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.
Second Judicial Advice	confirmation from the Court under section 63 of the <i>Trustee Act 1925</i> (NSW) that, ALE Securityholders having approved the Trust Scheme Resolutions by the requisite majorities, ALE would be justified in implementing the Trust Scheme Resolutions, giving effect to the provisions of the ALE Trust Constitution (as amended by the Supplemental Deed) and in doing all things and taking all necessary steps to put the Trust Scheme into effect.
Section	a section of this Scheme Booklet.
Superior Proposal	a bona fide written Competing Proposal received after the date of the Scheme Implementation Deed that would, if completed substantially in accordance with its terms, result in a transaction that is more favourable to ALE Securityholders than the Schemes.
Supplemental Deed	the deed poll pursuant to which ALE will amend the ALE Trust Constitution, to be executed by ALE in the form of Annexure E (or in such other form as Consortium Acquirer and ALE agree in writing).
Takeovers Panel	the Takeovers Panel of Australia.
Third Party	a person other than any Consortium Member or any Associate of a Consortium Member.
Triple Net Lease	type of lease structure whereby the tenant is responsible for paying rates, insurance and majority of all structural repairs and maintenance, as well as land tax in all states except Queensland.
Total Cash Election Amount	the aggregate amount of cash consideration that is the subject of all Elections (or deemed Elections) in respect of Maximum Cash Consideration and Mixed Consideration by ALE Scheme Securityholders (and, for the avoidance of doubt, prior to the operation of the Scaleback Arrangements).
Total Scrip Election Amount	the aggregate number of CLW Securities that are the subject of all Elections (or deemed Elections) in respect of Maximum Scrip Consideration and Mixed Consideration by ALE Scheme Securityholders (and, for the avoidance of doubt, prior to the operation of the Scaleback Arrangements).

Glossary and interpretation

Term	Meaning
Trust Scheme	means the arrangement in accordance with Guidance Note 15 under which Consortium Acquirer acquires all of the ALE Scheme Units, facilitated by amendments to the ALE Trust Constitution as set out in the Supplemental Deed.
Trust Scheme Meeting	the meeting of ALE Securityholders to be convened by ALE pursuant to the ALE Trust Constitution and section 252A of the Corporations Act to consider Trust Scheme Resolutions, and includes any adjournment of that meeting.
Trust Scheme Resolutions	the following resolutions to be put to ALE Securityholders to approve the Trust Scheme: <ul style="list-style-type: none">(a) a special resolution to approve amendments to the ALE Trust Constitution as set out in the Supplemental Deed and to authorise ALE to execute and lodge with ASIC the Supplemental Deed to give effect to those amendments;(b) an ordinary resolution of holders of Trust Units to approve the Unstapling on the Implementation Date; and(c) an ordinary resolution for the purpose of item 7 of section 611 of the Corporations Act to approve the acquisition of all of the Trust Units by Consortium Acquirer.
Trust Unit	a fully paid ordinary unit in ALE Trust.
Unstapling	the unstapling of Trust Units and Company Shares in accordance with clause 38.5 of the ALE Trust Constitution and clause 77(h) of the ALE Constitution.
Voting Statement	has the meaning given in Section 13.5(c)(i)(B).
VWAP	Volume weighted average price

14.2 Interpretation

In this Scheme Booklet:

- (a) words of any gender include all genders;
- (b) words importing the singular include the plural and vice versa;
- (c) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (d) a reference to a Section or annexure, is a reference to a Section of or annexure of, this Scheme Booklet as relevant;
- (e) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them;
- (f) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (g) a reference to time is a reference to Sydney, Australia time unless otherwise specified;
- (h) a reference to dollars and \$ is to Australian currency;
- (i) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- (j) the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

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The Directors
Australian Leisure and Entertainment Property Management Limited
As responsible entity for Australia Leisure and Entertainment Property Trust
Suite 28.02, Australia Square Tower
264 George Street
Sydney NSW 2000

28 October 2021

Dear Directors

Part One – Independent Expert's Report

1 Introduction

On 20 September 2021, Australian Leisure and Entertainment Property Management Limited (ALE), as responsible entity for Australian Leisure and Entertainment Property Trust (ALE Trust) (together, ALE Group), announced that it had entered into a Scheme Implementation Deed with:

- Charter Hall WALE Limited (**CHWALE**) as responsible entity of Charter Hall Direct Industrial Fund and LWR Finance Trust (Charter Hall Long WALE REIT (**CLW**));
- Host-Plus Pty Limited as trustee for the Hostplus Pooled Superannuation Trust (**Hostplus**); and
- Bieson Pty Limited as trustee for the CH LEP Investment Trust (**Consortium Acquirer**), an entity controlled by CLW and Hostplus (together, the **Consortium Acquirer Group**),

in relation to a proposal for the Consortium Acquirer (or its nominee) to acquire all of the ALE stapled securities (**ALE Securities**) (the **Proposal**). The Proposal is to be implemented by way of a trust scheme and a company scheme of arrangement (together, the **Schemes**).

Under the Proposal, ALE Securityholders will have an option to elect to receive one of the following alternatives for each ALE Security held (in addition to ALE Group's 5.5 cents September 2021 quarter (**1Q22**) distribution):

- **Mixed Consideration:** \$3.673 cash payment and 0.4080 CLW stapled securities (**CLW Securities**);
- **Maximum Scrip Consideration:** 1.1546 CLW Securities; and
- **Maximum Cash Consideration:** \$5.681 cash.

The Maximum Scrip Consideration and Maximum Cash Consideration are subject, respectively, to the maximum amounts of CLW Securities (81,845,477) and cash consideration (\$736,779,439) available under the Schemes such that the total consideration, based on a reference price for CLW Securities of \$4.92, will be represented by approximately 65% cash and 35% scrip (although this mix will change depending on the CLW Security price at the date of issue). Accordingly, if either of the two alternatives is oversubscribed, they will be scaled back on a pro rata basis (**Scaleback Arrangements**). The Mixed Consideration will not be subject to Scaleback Arrangements. Refer to Section 4.3 of the Scheme Booklet for further details on the Scaleback Arrangements.¹

¹ In particular, Section 4.3 h) sets out worked examples in the event that either the Maximum Cash Consideration or Maximum Scrip Consideration are oversubscribed.

Annexure A: Independent Expert's Report



The default option for ALE Securityholders who do not make an election or make an invalid election is the Mixed Consideration. Ineligible Foreign Securityholders² are deemed to make a valid election to receive the Mixed Consideration. All CLW Securities that would have been issued to Ineligible Foreign Securityholders are to be dealt with under the Sale Facility.³

In addition, ALE Securityholders will be entitled to receive the ALE Group 1Q22 distribution of 5.5 cents per ALE Security. In the event that the Schemes are not implemented by December 2021, ALE Securityholders will not receive the CLW 2Q22 distribution and they receive the ALE Group 2Q22 distribution, however, the Scheme Consideration will be reduced by the value of any ALE Group 2Q22 distribution.

The Scheme Implementation Deed contains a number of conditions as set out in Section 5.2.

ALE Group is an internally managed Australian real estate investment trust (**A-REIT**) listed on the Australian Securities Exchange (**ASX**). It holds a portfolio of 78 pubs that are leased to Australian Leisure and Hospitality Group Limited (**ALH**), a subsidiary of ASX listed Endeavour Group Limited (**Endeavour Group**), Australia's largest pub operator and liquor retailer, under long-term leases. Endeavour Group is owned 15.1% by Bruce Mathieson Group (**BMG**), one of Australia's leading hoteliers, and 14.6% by Woolworths Group Limited (**Woolworths**). The portfolio was valued at \$1.3 billion as at 6 September 2021. Immediately prior to the announcement of the Proposal, ALE Group had a market capitalisation of \$942 million.⁴

CLW is an ASX listed A-REIT that is externally managed by CHWALE, a wholly owned member of the Charter Hall Group. It invests in a diversified portfolio of long weighted average lease expiry (**WALE**) property assets that were valued at \$5.6 billion at 30 June 2021.⁵ It had a market capitalisation of approximately \$3.2 billion as at 26 October 2021.⁶

Implementation of the Schemes will result in the ALE Group becoming part of CLW (the **Merged Group**). CLW and Hostplus each holding a 50% interest in ALE Property Trust and ALE Securityholders holding an 11.4% interest in the Merged Group.⁷

The Merged Group will have a \$6.5 billion⁸ investment portfolio comprising long WALE properties that are diversified across sectors. It is expected to be the 9th largest A-REIT based on a market capitalisation of \$3.6 billion.⁹

The Company Scheme Meeting¹⁰ and Trust Scheme Meeting¹¹ (**Scheme Meetings**) to consider and vote on the Schemes will be held online on 2 December 2021. Each ALE Scheme Securityholder¹² will be entitled to attend and vote on the resolutions to implement the Schemes. The resolutions are comprised of ordinary resolutions and a special company scheme resolution. An ordinary resolution may only be passed by at least 50% of votes cast by ALE Scheme Securityholders. A special scheme company resolution may

² An ALE Securityholder whose address, as shown in the ALE Register (as at the Record Date), is in a place outside Australia and Australia's external territories, unless ALE is satisfied, acting reasonably, that the laws of that place permit the allotment and issue of CLW Securities to that ALE Scheme Securityholder pursuant to the Schemes, either unconditionally or after compliance with conditions that ALE in its sole discretion regards as acceptable and not unduly onerous or impracticable.

³ The facility established for the sale of ALE Securities on behalf of Ineligible Foreign Securityholders as described in Section 4.3(g) of the Scheme Booklet.

⁴ Calculated as ALE Group's closing price on 17 September 2021 of \$4.70 multiplied by 200,407,523 securities on issue.

⁵ As at 30 June 2021, adjusted to include the property acquisitions announced to the ASX on 1 July 2021 and the acquisition of Terrey Hills Tavern, NSW, that occurred post reporting date.

⁶ Calculated as closing price on 26 October 2021 of \$4.97 multiplied by 634,236,723 securities.

⁷ Calculated as the Available Scrip Consideration of 81.8 million CLW Securities divided by number of CLW Securities on issue post transaction, being the sum of the 634.2 million CLW Securities on issue as at 30 June 2021, 3.6 million new CLW Securities issued as consideration for acquisitions that occurred post 30 June 2021, 2.4 million new CLW Securities issued as part of the Distribution Reinvestment Plan and 81.8 million securities issued to ALE Securityholders.

⁸ Calculated as CLW's portfolio as at 30 June 2021, adjusted to include acquisitions post 30 June 2021 that have settled or are expected to settle prior to the implementation of the Schemes, plus CLW's 50% share of total enterprise value consideration for ALE.

⁹ Based on the number of CLW Securities to be on issue if the Schemes are implemented at the CLW closing price on 26 October 2021 of \$4.97. Excludes Unibail-Rodamco-Westfield SE.

¹⁰ The meeting of ALE Securityholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Company Scheme, and includes any adjournment of that Meeting.

¹¹ The meeting of ALE Securityholders to be convened by ALE pursuant to the ALE Trust Constitution and section 252A of the Corporations Act to consider Trust Scheme Resolutions, and includes any adjournment of that meeting.

¹² Each person who is registered on the ALE Register as a holder of ALE Scheme Securities as at the Record Date.



only be passed by at least 75% of the votes cast by ALE Scheme Securityholders and 50% of Scheme Securityholders voting. The Schemes will only proceed if the requisite majorities for the resolutions are met by ALE Scheme Securityholders, voting either in person or by proxy at the Scheme Meetings.

In order to assist ALE Securityholders in assessing the Schemes, the Directors of ALE (**ALE Directors**) on behalf of ALE, as the responsible entity of ALE Trust, have appointed Duff & Phelps Australia Pty Limited, a Kroll business (**Kroll**), to prepare an Independent Expert's Report setting out whether, in our opinion, the Schemes are in the best interests of ALE Securityholders.

This report sets out Kroll's opinion as to the merits or otherwise of the Schemes and will be included in the Scheme Booklet and Explanatory Memorandum (**Scheme Booklet**) to be sent to ALE Securityholders.

Further information regarding Kroll, as it pertains to the preparation of this report, is set out in Appendix 1.

Kroll's Financial Services Guide is contained in Part Two of this report.

2 Scope of Report

The Proposal is to be implemented via a combination of a company scheme of arrangement and a trust scheme.

In relation to the company scheme of arrangement, we have referred to guidance provided by the Australian Securities and Investments Commission (**ASIC**) in its Regulatory Guides, 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 on whether a scheme of arrangement is in the best interests of securityholders. The statutory requirement for an independent expert report in respect of the company scheme of arrangement does not apply because:

- none of Consortium Acquirer, Hostplus, CLW or Consortium Acquirer Nominee are entitled to 30% or more of the voting securities in ALE; and
- none of the directors of Consortium Acquirer, Hostplus, CLW or Consortium Acquirer Nominee are also a director of ALE.

In relation to the trust scheme, there is no specific statutory framework for a trust scheme as there is for a Scheme of Arrangement between companies and their members. As such, the Takeovers Panel has issued Guidance Note 15: Trust Scheme Mergers (**Guidance Note 15**) outlining the recommended procedures for a trust scheme. Guidance Note 15 suggests that a 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. As such, a statutory requirement for an independent expert report applies in relation to the trust scheme.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6.

3 Summary of opinion

3.1 Background

ALE Group was formed in 2003 when Foster's Group divested its Leisure and Hospitality Division into two publicly listed entities, ALE Group and ALH. ALE Group owned the freehold interests in 105 pubs, which were leased to the operator, ALH, under long term leases (25 years plus four 10 year renewal options). Rents on almost all properties were subject to a capped review (10%) in November 2018 and, thereafter, to an uncapped rent review on renewal in November 2028.

The November 2018 capped rent review involved a lengthy process. ALE and ALH were unable to agree on rents for 45 properties, which then went to a determination process (**Determinations**) undertaken by independent property valuers that was completed in September 2020. On 19 October 2020, ALE commenced proceedings seeking declarations the 19 Victorian rent determinations were not made in accordance with the requirements of the rent review provisions of the relevant leases (**Victorian Litigation**). Following the sale of three of the relevant properties, there were 16 properties which were the subject of the Victorian Litigation (the **Victorian Determinations**). The court delivered its judgment in the Victorian Litigation on 20 October 2021. The court decided that the 16 Victorian Determinations were not made in accordance with the leases, are not binding and must be redone (**New Determinations**). As such,

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there is uncertainty as to outcome of those assessments. In addition, if rent determinations are undertaken in 2028, the decision provides guidance as to the application of the valuation methodology in the leases.

As a result of the capped rent reviews, the independent property valuers determined that the portfolio is 36.5% under-rented (that is, a market rent would be approximately 36.5% higher than the current passing (contracted) rent) as at 6 September 2021. The capped rent review in 2018 means that ALE will only have the potential to realise the full benefit from under-renting when uncapped rent reviews occur in 2028. However, the outcome of the uncapped rent reviews in 2028 is uncertain.

The ALE Board and ALE's management have previously explored opportunities to restructure the existing lease arrangement with ALH and Endeavour Group (e.g. resetting current passing rents to market rents, spreading of the lease maturities), however, the parties have not been able to agree an acceptable arrangement and there is no certainty that a mutually acceptable restructure may be able to be negotiated.

ALE also has a significant land bank which it is unable to access unless the leases can be renegotiated. From time to time, ALE Group and ALH have sought to progress initiatives to develop one or more of the properties within ALE Group's portfolio. However, the parties have not been able to agree the parameters of potential developments.

ALE Group has also been unable to pursue a growth strategy due to the difficulty of identifying potential transactions that would be internal rate of return (**IRR**) accretive. As a result of divestments, ALE Group's portfolio now consists of 78 pubs. Its market capitalisation was \$942 million¹³ at 17 September 2021.

ALE Securities have historically traded at a significant premium to net tangible assets (**NTA**) per security (as high as 86.7% on 9 January 2020). Although this gap has narrowed since the announcement of the Determinations on 14 September 2020, the one month volume weighted average price (**VWAP**) of ALE Securities to 17 September 2021 (\$4.78) represents a 28.8% premium to NTA per security at 30 June 2021 (\$3.71). The premium largely relates to the expectations associated with the potential for rent reversion¹⁴ resulting from the uncapped rent reviews in 2028.

ALH, now part of Endeavour Group, has grown substantially through the merger of the operations of ALH with MGW Hotels and BMG, the acquisition of pubs and the combination with Woolworths' liquor retailing business. Endeavour Group was demerged from Woolworths in June 2021 and as at 26 October 2021, had a market capitalisation of \$12.1 billion.¹⁵ Endeavour Group is currently owned 15.1% by BMG and 14.6% by Woolworths. A key impetus for the demerger was the ability to pursue growth opportunities without competing with Woolworths' other businesses for capital.

Endeavour Group also leases 54 pubs from a joint venture owned 50% by each of CLW and Hostplus. The relationship between CLW and Endeavour Group was demonstrated when in August 2021, CLW and Endeavour Group acquired the freehold title and leasehold interests, respectively, to Terry Hills Tavern, New South Wales (**NSW**).

The acquisition of ALE Group likely has 'special value' to CLW and Hostplus since:

- as a large entity with an existing relationship with ALH through its pubs portfolio, it may have greater leverage to renegotiate leases with ALH (such that it can take advantage of development potential associated with ALE's latent land value or such that rent review provisions can be amended) or achieve a better outcome from the uncapped rent reviews in 2028 by negotiating agreed rents;
- there may be an opportunity for CLW to undertake additional sale and leaseback opportunities with the recently demerged Endeavour Group, which had \$613 million freehold land as at 30 June 2021 or make additional acquisitions jointly with Endeavour Group, which has as a key strategic focus in relation to the expansion of its network through accelerated acquisitions; and
- as a result of CLW's existing pubs portfolio, it expects to save almost all of ALE's operating costs (management fees, salaries and other expenses) whereas it is estimated that a typical acquirer would likely be able to save approximately 70% of operating costs.

¹³ Calculated as ALE Group's closing price on 17 September 2021 of \$4.70 multiplied by 200,407,523 securities on issue.

¹⁴ Adjustment of rents to market levels.

¹⁵ Calculated as the closing price on 26 October 2021 of \$6.73 multiplied by 1,790,880,017 Endeavour Group shares outstanding.



The consideration under the Proposal¹⁶ represents a 20.0% premium to ALE Group's VWAP in the month to 17 September 2021, the last trading day prior to the announcement of the Proposal, and a 39.5% premium to ALE Group's pro forma NTA¹⁷ of \$4.11 per security. The premium to VWAP is well above premiums observed in transactions involving REITs over the last five years of 13.3%.¹⁸

The premium under the Proposal effectively de-risks the impact of any potentially unfavourable outcome from the New Determinations and/or uncapped rent reviews in 2028.

3.2 Summary of opinion

In our opinion, we consider **the Schemes are the best interests of ALE Securityholders in the absence of a superior proposal.**

In arriving at this opinion, we have assessed whether the Schemes are:

- **fair**, by comparing our assessed value of the consideration (based on the value of a CLW Security on a minority interest basis) to our assessed value of an ALE 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 ALE Securityholders, the alternatives to the Proposal that are available to ALE Group, and the consequences for ALE Securityholders of not approving the Schemes.

Our assessment has formed the view that **the Schemes are fair and reasonable.** As such, consistent with RG 111, we have concluded that **the Schemes are in the best interests of ALE Securityholders, in the absence of a superior proposal.**

As required by RG 111 we have valued ALE on a controlling interest basis and CLW (post transaction) on a minority interest basis. This is required because as a result of the Schemes, the Consortium Acquirers will obtain control of ALE Group, whereas the consideration to be received, CLW Securities, by ALE Securityholders, under the Mixed Consideration and the Maximum Scrip Consideration, represents a minority interest.

Based on our assessed value range for CLW Securities of \$4.90 to \$5.20, the value range for the Mixed Consideration is \$5.67 to \$5.79 and for the Maximum Scrip Consideration is \$5.66 to \$6.00. The range of value for the Mixed Consideration is relatively narrow as it is mainly comprised of cash rather than scrip. This compares to our assessed value range for an ALE Security of \$5.40 to \$5.71. In valuing ALE Securities, we also have sought to capture the significant under-renting¹⁹ of the portfolio and the opportunity associated with the uncapped nature of the uncapped rent reviews in 2028. We have not, however, sought to capture any 'special value' attributable to the Consortium consistent with the requirements of RG111. In this respect we note that CLW has a significant existing business relationship with ALH and is likely to be able to obtain greater operational synergies and benefits than any other acquirer.

As the value ranges attributed to the Mixed Consideration and the Maximum Scrip Consideration and the value of the Maximum Cash Consideration (\$5.68) overlap and exceed our assessed value range of an ALE Security, we consider the Schemes to be fair.

It is also important to recognise that the value of the Mixed Consideration and Maximum Scrip Consideration ultimately paid to ALE Securityholders will vary based on movement in the trading price of CLW Securities, either positively or negatively. The breakeven CLW Security price below which the consideration is not fair is \$4.24 (Mixed Consideration) and \$4.68 (Maximum Scrip Consideration) (although in such a situation ALE Securityholders will likely not select the Maximum Scrip Consideration).

Our analysis of the fairness of the Schemes is detailed further in Section 3.3.

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Schemes to be fair, this would imply that the Schemes are reasonable. Regardless of this requirement, we have considered a range of other factors that are relevant to an assessment of the reasonableness of the Schemes. These include:

¹⁶ Mid-point of Mixed Consideration based on Kroll's assessed value per CLW Security of \$4.90 to \$5.20.

¹⁷ Pro forma NTA is 30 June 2021 NTA, adjusted for the revaluations as at 6 September 2021 and the gain sale from the final two divested properties (expected to be settled in November 2021).

¹⁸ Source: Factset/BVR Control Premium Study. Premiums relative to the unaffected share price for transactions involving REITs from January 2016 to September 2021.

¹⁹ Extent to which passing (contracted) rent is less than market rent.

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- the consideration offered under the Proposal represents a significant premium to the trading price of ALE Securities prior to the announcement of the Proposal and an even greater premium to pro forma NTA per ALE Security. This premium likely reflects, among other factors, the 'special value' of the portfolio to the Consortium Acquirers;
- the deal structure provides flexibility for ALE Securityholders to elect to receive the Maximum Scrip Consideration or Maximum Cash Consideration. In this regard:
 - the Maximum Cash Consideration provides certainty as to price whereas the value of the Mixed Consideration and the Maximum Scrip Consideration is not certain as the price of a CLW Security will change up until the issue of new CLW Securities as a result of the implementation of the Schemes;
 - the Maximum Scrip Consideration allows ALE Securityholders to gain an exposure to the Merged Group and maintain an exposure to pubs as well as benefit from a possible uplift in the CLW Security price over time, however, ALE Securityholders who elect the Maximum Scrip Consideration will not be entitled to capital gains tax (CGT) rollover relief for income tax purposes;
 - it is possible under the Maximum Cash Consideration and the Maximum Scrip Consideration that the scale-back will apply and, therefore, it is not certain that ALE Securityholders will receive the precise form of consideration they elect to receive;
- for ALE Securityholders who receive scrip consideration, the following considerations are relevant in relation to the Merged Group:
 - increased scale and diversification of the Merged Group;
 - a longer WALE and staggered lease expiry profile with reduced risk associated with the uncapped rent reviews in 2028 and a greater share of fixed rental increases, although lower share of triple net leases;
 - improved liquidity and access to capital markets without the overhang of a major securityholder;
 - potential to realise benefits from cost synergies;
 - significant accretion in operating earnings per security (OEPS), distribution per security and NTA per security as a result of synergies and the substantial premium offered under the Proposal;
 - higher gearing although lower funding costs for the Merged Group as a result of its higher credit rating. CHWALE has advised that it plans to refinance a majority of ALE Group's debt;
 - greater flexibility to pursue strategy;
 - a stable Australian investment manager with over 30 years of experience in property investment, development and asset management;
 - competitive fee structure; and
 - changes in risk profile;
- in relation to alternatives to the Proposal:
 - it is open for ALE Securityholders to vote against the Schemes and retain their investment in ALE Group in the expectation that the ALE Security price will increase in the future as a result of a positive outcome of the New Determinations or uncapped rent reviews in 2028. However, the outcome of these is not certain whereas the consideration under the Proposal effectively de-risks the impact of any potentially unfavourable outcome for the New Determinations and/or uncapped rent reviews in 2028;
 - a wind up of the portfolio is unlikely to realise a return to ALE Securityholders in excess of the consideration under the Proposal;
 - no alternative proposals have emerged since the announcement of the Proposal on 20 September 2021. The likelihood of a superior alternative proposal is impacted by the significant premium offered under the Proposal; and
- in the event that the Schemes are not approved or any conditions precedent prevent the Schemes from being implemented, ALE Group will continue to operate in its current form and its security price is likely to fall to levels consistent with trading prices prior to the announcement of the Proposal,



subject to allowance for the increase in NTA per security to \$4.11 that was announced on 20 September 2021 and any other company specific events and broader trends in equity markets.

Whilst we consider the Schemes benefit ALE Securityholders, there are other matters which ALE Securityholders should consider in assessing the Schemes, including:

- ALE will incur transaction costs associated with the Schemes, irrespective of whether they proceed; and
- no CGT rollover relief for the scrip consideration.

Our analysis of the reasonableness of the Schemes is detailed further in Section 3.4.

The decision to approve the Schemes is a matter for individual ALE Securityholders based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio, risk profile and tax position. ALE Securityholders should consult their own professional adviser, if in doubt, regarding the action they should take in relation to the Schemes.

3.3 The Schemes are fair

3.3.1 Valuation of ALE Group

We have valued an ALE Security in the range of \$5.40 to \$5.71. This estimate is based on ALE Group's NTA as at 30 June 2021 of \$743.0 million (\$3.71 per security). Adjustments have been made to derive a value per ALE Security including a premium. Our valuation is set out in Section 11 of this report and summarised as follows.

Valuation of an ALE Security

Audited NTA as at 30 June 2021	11.3	743.0	743.0
Increase in value of investment properties at 6 September 2021	11.3	73.9	73.9
Gain in sale of investment properties to be settled in November 2021	11.3	7.2	7.2
Pro forma NTA as at 30 June 2021	11.3	824.2	824.2
Increase based on DCF methodology	11.3	-	111.1
Less: capital shortfall to fund 1Q22 distribution	11.4	(3.0)	(3.0)
Less: capitalised corporate overheads (net of savings)	11.5	(16.1)	(14.1)
Movement in derivatives to 30 September 2021	11.6	(0.1)	(0.1)
Less: capitalised borrowing costs at 30 September 2021	11.7	(2.0)	(2.0)
Adjusted NTA		802.9	916.0
Diluted number of ALE Securities on issue (million)	7.7	200.6	200.6
Adjusted NTA per ALE Security		\$4.00	\$4.57
Premium to Adjusted NTA per ALE Security	11.8	35%	25%
Value per ALE Security (including a premium)		\$5.40	\$5.71

Source: Kroll analysis

Note: Table may not add due to rounding.

In assessing the value of an ALE Security, we have considered the following:

- the value per ALE Security represents the aggregate full underlying value of ALE Group. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets);
- the valuations of the continuing properties undertaken by independent property valuers at 6 September 2021, which resulted in a \$73.9 million uplift in value relative to 30 June 2021. The independent property valuers selected a single estimate for each of the properties as the valuations have been prepared for the purpose of the financial accounts. In selecting a single estimate, the independent property valuers have placed a greater weighting on a capitalisation rate (**Cap Rate**) methodology, rather than a discounted cash flow (**DCF**) methodology. The DCF methodology benefits from being more transparent in how it considers the impact of any rent reversion in 2028 as cash flows are forecast for a 10 year period. The property values determined under such an approach represent a reasonable view as to likely value. Consequently, Kroll has adopted the valuers' selected value as the low end of the value range and the valuers' assessed value based on a DCF methodology as the high end of the value range;



- the \$7.2 million gain on sale of Royal Exchange, Toowong, Queensland (**QLD**) and Tudor Inn, Moorabbin, Victoria (**VIC**), for which sale contracts have been exchanged and which are expected to be settled in November 2021;
- the capital shortfall to fund the 1Q22 distribution and transaction costs incurred to 30 September 2021;
- capitalised corporate overheads (net of savings) that are required to operate a portfolio of pubs and capitalised borrowing costs (which are not realisable);
- the movement in the mark-to-market of derivatives from 30 June 2021 to 30 September 2021;
- in certain situations, it is appropriate to apply a premium to adjusted NTA. Based on the specific attributes of ALE Group, Kroll considers that a premium to adjusted NTA of 35% (low end) and 25% (high end) is appropriate. This reflects the sum of:
 - a 20% premium applied to the low end of the Adjusted NTA (based on the independent property valuers' selected value) and a 10% premium to the high end of the Adjusted NTA (based on a DCF methodology) to reflect the potential value of under-renting; and
 - a 15% premium applied to the high and low Adjusted NTA to reflect the other particular characteristics of ALE Group, including the potential for an acquirer to refinance borrowings at a lower interest rate and avoid stamp duty costs by acquiring ALE Group's portfolio rather than individual assets, the scarcity value of acquiring one of only two pure-play listed pub portfolios in Australia and the attractiveness of the triple net, long WALE leases and tenant covenant;
- the property valuations were undertaken on a going concern basis in accordance. For certain properties, the land on which the pubs are located has significant potential value in excess of the value in their current use (refer to Section 7.4.1). However, the properties are subject to long term leases. Attributing a value to the land in excess of the value in its current use assumes that an acquirer is able to renegotiate the leases such that it is able to capitalise on this land value. ALH has a strong negotiating position and there is no certainty that such a negotiation would be successful. Consequently, we do not consider that any additional premium should be applied to reflect potential value of the land bank over and above the value of that of the land in its current use; and
- there is also the potential for an acquirer to benefit from an increase in value as a result of the New Determinations. The 10% cap and collar will continue to apply to the New Determinations. The maximum rent for the 16 properties will be 10% higher than the passing rent before the relevant rent review dates in 2018 (plus adjustments for CPI in accordance with the terms of the leases) (**Maximum Rent**), which results in an increase in value of \$0.15 per ALE Security. However, there is no assurance that the New Determinations will be favourable to ALE Group. Furthermore, the independent property valuer who prepared the recent valuation assessment in relation to the 16 properties which were the subject of the Victorian Litigation has confirmed that the outcome of the Victorian Litigation does not require any change to the valuation assessments in relation to the 16 properties. Consequently, Kroll has not applied any additional premium to reflect the potential outcome of the New Determinations.

The assessed range of values, on a control basis, of \$5.40 to \$5.71 per ALE Security represents:

- a premium to the one month VWAP to 17 September 2021 (\$4.78) in the range of 13.1% to 19.5%. This premium is consistent with and above the median control premiums observed in transactions involving REITs over the last five years of 13.3%;²⁰ and
- a premium to pro forma NTA (\$4.11) in the range of 31.5% to 38.9%. This range exceeds the 28.8% premium of the one month VWAP of ALE Securities to 17 September 2021 (\$4.78) to NTA per security at 30 June 2021 (\$3.71).

3.3.2 Value of the consideration

Under the Proposal, ALE Securityholders will have the option to receive for each ALE Security held on the Record Date:

- Mixed Consideration: \$3.673 cash and 0.4080 CLW Securities;

²⁰ Source: Factset/BVR Control Premium Study. Premiums relative to the unaffected share price for transactions involving REITs from January 2016 to September 2021.



- Maximum Cash Consideration: \$5.681 cash; and
- Maximum Scrip Consideration: 1.1546 CLW Securities.

We have attributed a value to the Mixed Consideration of \$5.67 to \$5.79 per ALE Security and a value to the Maximum Scrip Consideration of \$5.66 to \$6.00 per ALE Security based on a value range for CLW Securities (on a minority interest basis) of \$4.90 to \$5.20, summarised as follows.

Valuation of the Consideration

	Mixed Consideration		Maximum Cash Consideration	Maximum Scrip Consideration	
	Low	High		Low	High
Value per CLW Security	\$4.90	\$5.20	-	\$4.90	\$5.20
Exchange ratio	0.4080	0.4080	-	1.1546	1.1546
Value of scrip component	\$2.00	\$2.12	-	\$5.66	\$6.00
Add: cash component	3.673	3.673	5.681	-	-
Value of consideration per ALE Security	\$5.67	\$5.79	\$5.68	\$5.66	\$6.00

Source: Kroll analysis

The range of value for the Mixed Consideration is relatively narrow as it is mainly comprised cash.

The mid-point of our value range for the Mixed Consideration and Scrip Consideration is higher than the Maximum Cash Consideration because the exchange ratios are based on a CLW Security price of \$4.92, which is the closing price on 30 July 2021, being the date of the indicative offer and was before the FY21 results release on 9 August 2021 that indicated an 11.1% increase in NTA to \$5.22.

The value range we have assessed for CLW Securities reflects:

- pro forma NTA per security for the Merged Group of \$5.11
- recent trading in CLW Securities following the announcement of the Proposal;
- the performance of CLW Securities relative to the market;
- the liquidity of CLW Securities;
- publicly available information in relation to CLW and the Proposal;
- broker analyst research and press commentary on CLW; and
- the potential impact on CLW of implementing the Schemes.

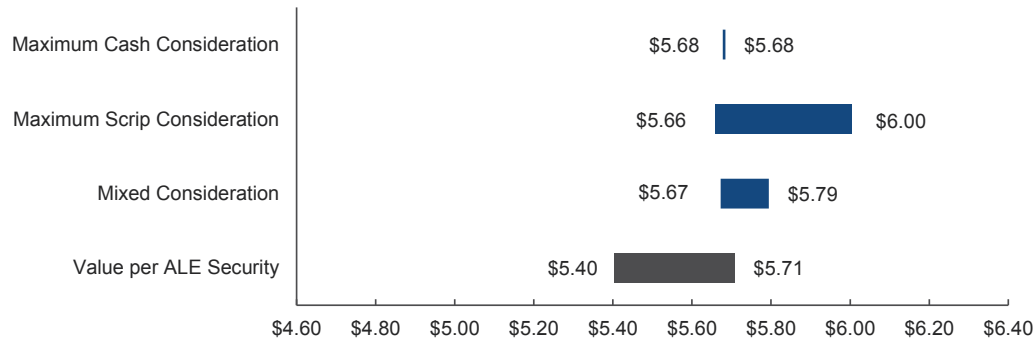
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3.3.3 Assessment of fairness

A comparison of our assessed value per ALE Security, on a control basis, to the value attributed to the Mixed Consideration, Maximum Scrip Consideration and Maximum Cash Consideration is illustrated as follows.

Fairness assessment



Source: Kroll analysis

As the value ranges attributed to the Mixed Consideration, Maximum Scrip Consideration and Maximum Cash Consideration overlap and exceed the value range for an ALE Security, **the Schemes are fair**.

3.3.4 Sensitivity analysis

The value of the Mixed Consideration and Maximum Scrip Consideration under the Proposal will, however, vary with movements in the CLW Security price. Accordingly, until the CLW Securities are issued as a result of the implementation of the Schemes, ALE Securityholders who elect to receive the Mixed Consideration or Maximum Scrip Consideration, or who elect to receive the Maximum Cash Consideration and are subject to the scale-back mechanism, are exposed to changes in overall equity market conditions and specific events that may affect the CLW Security price. The following tables illustrate the sensitivity of the implied value of the Mixed Consideration and Maximum Scrip Consideration to changes in the CLW Security price.

Sensitivity of the Mixed Consideration to changes in the CLW Security price

CLW Security price	\$4.60	\$4.70	\$4.80	\$4.90	\$5.00	\$5.10	\$5.20	\$5.30	\$5.40	\$5.50
Exchange ratio	0.4080	0.4080	0.4080	0.4080	0.4080	0.4080	0.4080	0.4080	0.4080	0.4080
Cash component	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673
Mixed Consideration	\$5.55	\$5.59	\$5.63	\$5.67	\$5.71	\$5.75	\$5.79	\$5.84	\$5.88	\$5.92

Source: Kroll analysis

Sensitivity of the Maximum Scrip Consideration to changes in the CLW Security price

CLW Security price	\$4.60	\$4.70	\$4.80	\$4.90	\$5.00	\$5.10	\$5.20	\$5.30	\$5.40	\$5.50
Exchange ratio	1.1546	1.1546	1.1546	1.1546	1.1546	1.1546	1.1546	1.1546	1.1546	1.1546
Maximum Scrip Consideration	\$5.31	\$5.43	\$5.54	\$5.66	\$5.77	\$5.89	\$6.00	\$6.12	\$6.23	\$6.35

Source: Kroll analysis

The breakeven CLW Security price below which the Schemes are not fair is \$4.24 (Mixed Consideration) and \$4.68 (Maximum Scrip Consideration).

ALE Securityholders who elect to receive the Maximum Cash Consideration will receive \$5.68 cash for each ALE Security (subject to any scale-back). As such, these securityholders will not be exposed to downward movements in the CLW Security price, however, they will not benefit from any increase in the CLW Security price above \$5.68.

3.4 The Schemes are reasonable

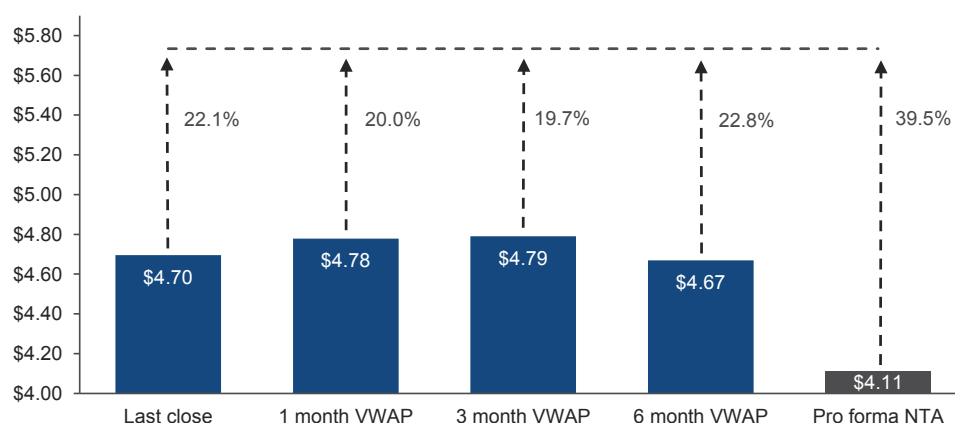
In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Schemes to be fair, they are also reasonable. However, irrespective of the requirement to conclude the Schemes are reasonable, we have also considered a range of other factors that are relevant to an assessment of the reasonableness of the Schemes.

3.4.1 Acquisition premium

The consideration offered under the Proposal represents a substantial premium to ALE Group trading prices prior to the announcement of the Proposal and an even greater premium to ALE Group's pro forma NTA

The mid-point of our assessed value range for the Mixed Consideration (\$5.73) represents a substantial premium to ALE Group's closing price and VWAP calculated over a range of periods up until 17 September 2021, the last trading day prior to the announcement of the Proposal, and an even greater premium to ALE Group's pro forma NTA of \$4.11.

Premium of Assessed Value of Mixed Consideration over the ALE Security Price and Pro Forma NTA per Security



Source: S&P Capital IQ; Kroll analysis

Notes:

- The premiums illustrated above have been calculated based on ALE Group's VWAP up until 17 September 2021, the last trading day prior to the announcement of the Proposal.

The premiums are slightly lower when assessed based on the Maximum Cash Consideration (\$5.68) and slightly higher based on the mid-point Maximum Scrip Consideration (\$5.83).

The Mixed Consideration represents a substantial premium over recent ALE Security prices and an even greater premium to pro forma NTA per security. In this regard, 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 share to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. In the case of ALE Group which is a passive A-REIT with no operating business or third party mandates and for which the underlying value of each property is reflected in NTA, it is already effectively a 'control' value and consequently, premiums paid for A-REITs are typically low. In the last five years, the median premium observed in REIT transactions was 13.3%;²¹
- in acquiring ALE Group, based on discussions with ALE management and observations from other A-REIT transactions, we estimate that a number of A-REIT acquirers would likely be able to save approximately 70% of operating costs. Other benefits include the potential to avoid stamp duty costs by acquiring ALE Group's portfolio, the scarcity value of acquiring one of only two pure play listed pub portfolios in Australia, the potential for ALH to undertake further development of the portfolio (e.g. additional retail liquor stores) and the attractiveness of the triple net, long WALE leases and tenant covenant;
- the relatively greater premium to NTA per ALE Security likely reflects the significant under-renting of the portfolio, and that the independent property valuations as at 6 September 2021, on which the pro forma NTA per security is based, do not fully capture this potential value since the property valuers' selected values is based predominantly on the Cap Rate methodology, rather than the DCF

²¹ Source: Factset/BVR Control Premium Study. Premiums relative to the unaffected share price for transactions involving REITs from January 2016 to September 2021.



methodology, which explicitly allows future rent to be modelled. Recent transactions involving pubs from which Cap Rates have been derived (for the purpose of applying the Cap Rate methodology and terminal yields in the DCF methodology) have generally involved over-rented properties²² and the valuers did not identify any transactions involving under-rented properties;

- ALE Securities have historically traded at a significant premium to NTA. In the month prior to 17 September 2021, the last trading day before the announcement of the Proposal, ALE Securities traded at a VWAP of \$4.78, which represents a 28.8% premium to NTA per security at 30 June 2021 (\$3.71). This premium likely reflects under-renting, noting that the independent property valuers assessed the properties were 35.6% under-rented as at 30 June 2021, and the potential for valuations to increase following the uncapped rent reviews in 2028;
- the premiums likely also reflect 'special value' to CLW, including:
 - as a large entity with an existing relationship with ALH through its pubs portfolio, it may have greater leverage to renegotiate leases with ALH such that it can take advantage of development potential associated with the latent land value or achieve a better outcome from the uncapped rent reviews in 2028;
 - there may be an opportunity for CLW to undertake additional sale and leaseback opportunities with the recently demerged Endeavour Group, which had \$613 million freehold land as at 30 June 2021 or make additional acquisitions jointly with Endeavour Group, which has as a key strategic focus the expansion of its network through accelerated acquisitions. In August 2021, CLW and Endeavour Group acquired the freehold title and leasehold interests, respectively, to Terry Hills Tavern, NSW;
 - as a result of CLW's existing pubs portfolio, CHWALE expects that almost all operating costs will be saved whereas we have estimated that a typical acquirer would likely be able to save approximately 70% of operating costs; and
 - CLW's Baa1 investment grade rating by Moody's allows it to refinance ALE Group's Australian Medium Term Notes (**AMTNs**) (which have been assigned a Baa2 (negative outlook) rating) and bank debt at a lower cost of debt.

3.4.2 Deal structure

The deal structure provides flexibility for ALE Securityholders

The Schemes provide flexibility for ALE Securityholders to elect to receive all cash under the Maximum Cash Consideration or all scrip under the Maximum Scrip Consideration, subject to any scale back. Cash has the advantage of providing certainty of the consideration received on implementation of the Schemes whereas the value of the scrip consideration is not certain until new CLW Securities are issued as a result of the Schemes. However, as noted in Section 3.3.4, the breakeven CLW Security price below which the Schemes are not fair is \$4.24 (Mixed Consideration) and \$4.68 (Maximum Scrip Consideration). Furthermore, by electing the Maximum Scrip Consideration, ALE Securityholders are able to maximise their exposure to the Merged Group and retain an exposure to the hospitality sector (although their exposure will be less).

The Maximum Scrip Consideration and Maximum Cash Consideration are subject to a scale-back based on the maximum amounts of CLW Securities (81,845,477) and cash consideration (\$736,779,439) available under the Schemes. The total consideration, based on a reference price for CLW Securities of \$4.92, will be represented by approximately 65% cash and 35% scrip (although this mix will change depending on the CLW Security price at the date of issue). Accordingly, if either of the two alternatives is oversubscribed, they will be scaled back on a pro rata basis (Scaleback Arrangements). As such, at the time of making an election, ALE Securityholders who chose the Maximum Cash or Maximum Scrip Consideration will not know the precise combination of cash and CLW Securities they will receive.

If the Scaleback Arrangements apply to the Maximum Scrip Consideration, relevant ALE Securityholders will receive cash consideration in place of the scaled back component of the CLW Securities to which they would otherwise have been entitled. If the Scaleback Arrangements apply to the Maximum Cash Consideration, relevant ALE Securityholders will receive CLW Securities in place of the scaled back

²² Extent to which passing (contracted) rent is greater than market rent.



component of the cash consideration to which they would otherwise have been entitled. Refer to Section 4.3 of the Scheme Booklet for further details on the Scaleback Arrangements.²³

The Schemes provide a mechanism for Ineligible Foreign Securityholders to receive consideration. Each Ineligible Foreign Securityholder is deemed to make a valid Election to receive the Mixed Consideration. Although Ineligible Foreign Securityholders will not be entitled to receive CLW Securities under the Schemes, it is noted that:

- they will receive cash instead of new CLW Securities through the Sale Facility;
- CLW Securities that would otherwise have been issued to them under the Schemes will be sold on the ASX under the Sale Facility within 10 business days after the Implementation Date;²⁴
- their shares will be sold for market value, and they will receive the proceeds of those sales from ALE (after deduction of any applicable taxes, duty, currency conversion or other costs and charges), no brokerage will be payable; and
- if they wish to retain their exposure, they can acquire CLW Securities through the ASX.

3.4.3 Advantages/disadvantages of the scrip consideration

The following section sets out a number of considerations that are relevant to the Mixed Consideration and the Maximum Scrip Consideration.

Increased scale and diversification of the Merged Group relative to ALE Group

The investment portfolio of the Merged Group will be substantially larger (a combined portfolio value of \$6.5 billion) compared to \$1.3 billion for ALE Group and will have greater diversification by sector, assets and tenants. The portfolio will include a mix of pubs, convenience retail, long WALE retail, office, industrial & logistics, social infrastructure and agri-logistics. An overview of the Merged Group is set out in Section 9 of this report and Section 9 of the Scheme Booklet. Relative to ALE Group, the Merged Group provides the following strategic benefits:

- increased leverage in negotiations with Endeavour Group by combining two pub portfolios;
- staggered lease expiry profile which reduces the risk of an adverse outcome of any particular rent review;
- reduced exposure to any particular asset or tenant, and reducing the risk to earnings from any singular tenancy; and
- reduced exposure to any particular sector or geography.

In addition, the portfolio will have a lower proportion of triple net leases, although a higher proportion of fixed rent reviews, and lower occupancy and a higher WACR, although it will have a significantly longer WALE and higher weighted average rent review (**WARR**).

Enhanced liquidity and improved access to capital markets

The Merged Group will have greater relevance to equity investors through increased scale relative to ALE Group. Based on a market capitalisation of \$3.6 billion,²⁵ the Merged Group will be the 9th largest A-REIT and a top-200 entity on the ASX.

Presently, CLW Securities are highly liquid whereas ALE Securities are illiquid. Furthermore, the larger market capitalisation of the Merged Group will result in increased market weighting within market indices and is expected to result in an increased daily trading volume for the Merged Group in comparison to ALE Group (and CLW). ALE Securityholders will initially hold an 11.4%²⁶ interest in the Merged Group,

²³ In particular, Section 4.3 h) sets out worked examples in the event that either the Maximum Cash Consideration or Maximum Scrip Consideration are oversubscribed.

²⁴ 17 December 2021.

²⁵ Based on the number of CLW Securities to be on issue if the Schemes are implemented at the CLW closing price on 26 October 2021 of \$4.97. Excludes Unibail-Rodamco-Westfield SE.

²⁶ Calculated as the Available Scrip Consideration of 81.8 million CLW Securities divided by number of CLW Securities on issue post transaction, being the sum of the 634.2 million CLW Securities on issue as at 30 June 2021, 3.6 million new CLW Securities issued as consideration for acquisitions that occurred post 30 June 2021, 2.4 million new CLW Securities issued as part of the Distribution Reinvestment Plan and 81.8 million securities issued to ALE Securityholders.

Annexure A: Independent Expert's Report



increasing the free float of the Merged Group and potentially allowing ALE Securityholders to exit with a reduced impact on CLW Security price.

ALE's register is impacted by Caledonia (Private) Investments Pty Ltd (**Caledonia**) which holds a 33.6% voting interest in ALE Securities which in certain circumstances has the effect of constraining ALE Group's ability to implement capital management strategies. Their voting interest also creates an overhang in ALE Securities as it represents a blocking stake in any potential transaction. The Merged Group, by comparison, will have a more diversified shareholder base, with no securityholder having more than 10.0% of the Merged Group.²⁷

CLW is a transparent entity that is broadly covered by brokers whereas ALE Group is less transparent (in terms of the limited broker coverage, process by which rents are determined, outcome of the New Determinations and potential outcome of the uncapped rent reviews in 2028).

Synergies

A key benefit of the Schemes is the potential to realise cost synergies. It is estimated that the Merged Group could save all of ALE's \$6.7 million ongoing operating expenses other than those relating to the Capital Indexed Bonds (**CIBs**). It also expects to generate savings in interest expenses through the refinancing of all of ALE Group's borrowings other than the CIBs.

Significant earnings, distribution and NTA accretion

Based on Kroll's assessed value of CLW Securities in the range of \$4.90 to \$5.20 (Section 10 of this report), the forecast financial analysis for the Merged Group (including 2H22²⁸ earnings for ALE) (Section 9.6 of the Scheme Booklet) and pro forma financial position for the Merged Group (Section 9.5 of the Scheme Booklet), ALE Securityholders would experience a significant increase in OEPS, distribution per security and NTA per security as follows.

Merged Group Accretion Analysis

	ALE	Merged Group	ALE equivalent ¹	\$4.90 Absolute change	Change %	ALE equivalent ¹	\$5.20 Absolute change	Change %
Mixed Consideration								
FY22 OEPS ² per security	15.9¢	30.5¢	35.3¢	19.5¢	122.7%	34.0¢	18.1¢	114.4%
FY22 distribution per security	22.0¢	30.5¢	35.3¢	13.3¢	60.5%	34.0¢	12.0¢	54.5%
NTA per security at 30 June 2021 ³	\$4.11	\$5.11	\$5.91	\$1.81	43.9%	\$5.69	\$1.58	38.6%
Maximum Scrip Consideration								
FY22 OEPS ² per security	15.9¢	30.5¢	35.2¢	19.4¢	122.1%	35.2¢	19.4¢	122.1%
FY22 distribution per security	22.0¢	30.5¢	35.2¢	13.2¢	60.1%	35.2¢	13.2¢	60.1%
NTA per security at 30 June 2021 ³	\$4.11	\$5.11	\$5.90	\$1.79	43.6%	\$5.90	\$1.79	43.6%

Source: Scheme Booklet

Notes:

1. ALE equivalent under the Mixed Consideration is based on ALE Securityholders receiving between 1.10102 and 1.1426 CLW Securities for each ALE Security, calculated as the sum of the scrip component of the consideration of 0.0408 CLW Securities and the \$3.673 cash component of the consideration, reinvested in CLW Securities at a price in the range of \$4.90 and \$5.20 based on Kroll's range of values for CLW Securities. ALE Group equivalent under Maximum Scrip Consideration is based on ALE Securityholders receiving 1.1546 CLW Securities for every ALE Security.
2. OEPS is operating earnings per security.
3. NTA is pro forma.

On a per security basis:

- both OEPS and distributions per security increase significantly, reflecting the substantial premium offered under the Proposal and the operating cost and financing synergies that CHWALE expects to achieve. The increase in OEPS is greater than the increase in distributions as ALE Group currently pays distributions in excess of OEPS, whereas CHWALE has stated that if the Schemes are

²⁷ Calculated as Charter Hall Group's 71.8 million CLW Securities divided by the diluted number of securities in the Merged Group (716.1 million).

²⁸ H is half year, being six months to 30 June or six months to 31 December, as applicable.

implemented, it intends to maintain the same distribution policy as it does currently (that is, to pay distributions in line with OEPS); and

- NTA also increases significantly, reflecting the net impact of the significant premium offered to ALE Securityholders relative to NTA less CLW's \$23.9 million transaction costs associated with the Schemes.

The extent of accretion for ALE Securityholders will vary depending on the form of consideration they elect to receive, the extent of any scale-back and movements in the CLW Security price.

The level of accretion ultimately realised will be impacted by:

- any further synergies which may be identified during the implementation process or the risk that the full integration cost savings are not realised;
- dividend growth and enhanced share price performance as integration milestones are met and realised synergies deliver the expected earnings accretion; and
- the risk that the assumptions in determining the OEPS analysis may be higher or lower than estimated by CHWALE.

The above analysis only includes OEPS and distributions for ALE for 2H22, rather than for the full financial year. As a result, in future years, all else remaining equal, the OEPS and distribution per security in FY22 will be greater than presented.

The Merged Group will have a higher gearing than ALE Group

Implementation of the Schemes will result in CLW's look-through gearing increasing from 40.8% to 42.5% and balance sheet gearing increasing from 32.8% to 35.4%, which is slightly greater than CLW's target gearing range for balance sheet gearing of 25% to 35%. ALE Group had gearing of 36.4% as at 30 June 2021 and, therefore, the Merged Group will have a higher gearing than ALE Securityholders' previous exposure. This will initially limit the Merged Group's ability to undertake debt funded acquisitions.

We do not consider the increase in gearing to be a significant risk to ALE Securityholders for the following reasons:

- although it is an increase in gearing from an ALE Securityholder's perspective, it results in a gearing level for the Merged Group which is within industry levels and meets standard covenant measures;
- the gearing is only slightly greater than CLW's target gearing range of 25% to 35%;
- it is expected that growth in property values over time will increase the debt covenant headroom and enable the Merged Group to deleverage over time; and
- CLW currently has a superior credit rating to ALE Group. There is no indication that this credit rating will be adversely impacted post implementation of the Schemes.

As a result of its higher credit rating (Baa1), the Merged Group will have greater financial flexibility and access to a broader range of debt financing sources and tenor than is available to ALE Group on a stand-alone basis and is likely to have a lower weighted average cost of debt.

Greater flexibility to pursue strategy

ALE's ability to execute a growth strategy has been impacted by the difficulty in identifying potential transactions that would be IRR accretive and the practical need to have Caledonia supportive of any proposals given their 33.6% voting interest in ALE Group. The Merged Group's strategy will be materially the same as CLW's, being to provide investors with stable, secure income and targeting income and capital growth through exposure to long WALE properties. In addition, the strategy is to minimise development risk (refer to Section 8.1).

Stable investment manager and competitive fee structure

ALE is an internally managed A-REIT whereas CLW is externally managed by Charter Hall WALE Limited, a wholly owned member of the Charter Hall Group. Charter Hall Group is a stable Australian investment manager with over 30 years of experience in property investment, development and asset management.

CLW's fee structure is set out in Section 8.3. CLW's total recurring fees of 0.54% are below the low end of fees for comparable listed A-REITs (in the range of 0.60% to 1.34% and a median of 0.73%) and comparable unlisted wholesale A-REITs (in the range of 0.60% to 1.20% and a median of 0.83%) as set out in Appendix 5. Further, no performance fee is payable by CLW. There are a number of listed A-REITs



for which performance fees are not payable although performance fees are typically payable for wholesale A-REITs based on performance relative to IRR.

The absence of a performance fee may create an incentive for the manager to focus on growth (since base management fees are based on average gross assets and transaction fees are 1% of acquisition or disposal price) over total return. In this regard, we note that since listing, CLW has undertaken \$3.7 billion of acquisitions. From 2 January 2019 until 17 September 2021, the CLW Security price has increased by less than the Diversified A-REIT Index, however, their total returns are similar (50.3% and 50.9%, respectively). Over this period, the ALE Security price declined by 1.7% and total return was 9.2%.

Changes in risk profile

ALE Securityholders who choose the Mixed or Maximum Scrip Consideration will be exposed to different risks to their current risks. Primarily, this comes from the change in tenancy composition and ownership structure as well as executions risks associated with the transaction. In particular by comparison to ALE, which is a single property class and single tenant investment, CLW is invested in multiple property classes, has multiple tenants with greater variability in the lease terms.

In addition, as is typical in transactions of this nature, CLW will incur transactions costs and will expect to generate various cost savings resulting from synergies. ALE securityholders will be exposed to the extent such transaction costs are greater, or estimated synergies are not achieved.

3.4.4 Alternative solutions/strategies

Alternative solutions/strategies are suboptimal to the Proposal

In weighing up the Schemes, ALE Securityholders should have regard to the alternatives that are available to ALE Group, including:

- remaining as a listed A-REIT;
- liquidation/wind-up of ALE Group; and
- the likelihood of a superior alternative acquisition proposal.

With regard to each of these alternatives, we note the following:

Remaining as a listed A-REIT

It is open for ALE Securityholders to vote against the Schemes and retain their investment in ALE Group in the expectation that the ALE Security price will increase in the future as a result of a positive outcome of the New Determinations or uncapped rent reviews in 2028, however, the outcome of the litigation and rent reviews is uncertain whereas the consideration under the Proposal effectively de-risks the impact of any potentially unfavourable outcome of the New Determinations and/or uncapped rent reviews in 2028.

ALE Group's growth opportunities are likely to remain limited if it is unable to find IRR accretive acquisitions. Without substantial growth, ALE Group's negotiating position with Endeavour Group will remain limited. Caledonia's 33.6% voting interest may continue to create an overhang in ALE Group's register and the ALE Securities are likely to continue to be illiquid.

Liquidation/wind-up

A wind up of the portfolio is unlikely to realise a return to ALE Securityholders in excess of the consideration under the Proposal. Sale of the portfolio and the distribution of the net proceeds would involve costs and risks including:

- any sale of the portfolio would likely take a considerable amount of time given the size of the portfolio (78 properties);
- the net proceeds from sale would be reduced by selling costs, break fees and taxes:
 - while the independent property valuations include selling costs, additional selling costs (e.g. legal and agents' fees and some broker fees) would likely be incurred and there would be additional costs (e.g. legal) associated with the subsequent winding up of the trusts;
 - break fees may be payable on the early repayment of the debt facilities, depending on the timing of the sale of the properties;



- sale of individual assets would incur stamp duty (estimated at \$71.5 million);²⁹ and
- the sales may result in a capital gain for tax purposes.

Likelihood for a superior alternative proposal

Since the announcement of the Proposal, no alternative proposal has been made. Whilst there will continue to be an opportunity for an alternative proposal to arise, it may be impacted by the following.

- the consideration offered under the Proposal represents a significant premium and likely reflects, among other factors, the 'special value' that CLW can achieve as described previously. We are not aware of any other acquirers that could achieve this level of 'special value';
- under the Scheme Implementation Deed, ALE Group 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). ALE Group is also required to notify the Consortium Acquirers should it become aware of any possible alternative proposal and the Consortium Acquirers have a last right to match a competing proposal. Further, in certain circumstances ALE Group would be required to pay a break fee to the Consortium Acquirers of \$11.0 million. Although the likelihood for a superior alternative proposal is impacted by these terms, it does not preclude an alternative proposal from being made. We note that the ALE Directors would be required under their fiduciary duties to consider the merits of an alternative proposal should it arise, and
- Caledonia's 33.6% voting interest and Endeavour Group's 8.9% interest in ALE may act as a deterrent to a potential acquirer. It would be necessary for Caledonia to agree to any such proposal as their interest represents a blocking stake in any scheme (which requires 75% of votes cast) and would prevent an acquirer moving to compulsory acquisition in a takeover (which requires an acquirer to own 90% of securities).

3.4.5 Other considerations

In forming our opinion, we have also considered a number of other factors. Whilst we do not necessarily consider these impact our assessment of the reasonableness of the Schemes, we consider it appropriate to address in arriving at our opinion.

One-off transaction costs

ALE management has estimated total one-off transaction costs in relation to the Schemes to be approximately \$21.0 million on a pre-tax basis, of which approximately \$2.6 million will have been paid, or committed, prior to the Scheme Meetings by the ALE Group.

In addition, CHWALE has estimated CLW's transaction costs in relation to the Schemes are \$23.9 million.

Taxation implications for ALE Securityholders

General tax implications for Australian tax resident and non-resident securityholders who hold their ALE Securities on capital account are outlined in detail in Section 11 of the Scheme Booklet.

The implications of the Schemes for Australian tax resident ALE Securityholders are set out in Section 11 of the Scheme Booklet. In particular, the disposal of ALE Scheme Securities will be a CGT event for Australian resident ALE Securityholders. This means that ALE Scheme Securityholders will need to determine whether a capital gain or a capital loss arises in respect of their ALE Scheme Units and ALE Scheme Shares. As no CGT roll-over relief will be available, this will be the case even if an ALE Scheme Securityholder receives part or all of the Scheme Consideration in the form of CLW Securities.

The implications of the Schemes on foreign resident ALE Securityholders are set out in Section 11 of the Scheme Booklet.

We note that ALE Securityholders should consider their individual taxation circumstances, review Section 11 of the Scheme Booklet for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

²⁹ Calculated as 5.5% of \$1.3 billion portfolio value at 6 September 2021.



3.4.6 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, ALE Group will continue to operate in its current form and remain listed on the ASX. As a consequence:

- ALE will continue to operate as a standalone entity and remain listed on the ASX;
- ALE Securityholders will not receive the Mixed Consideration, Maximum Scrip Consideration or the Maximum Cash Consideration and the implications of the Schemes, as summarised above, will not occur, other than with respect to the \$2.6 million of one-off transaction costs that are estimated to have been incurred, or committed to, prior to the Scheme Meetings. ALE Group would not be liable to pay a reimbursement fee (other than in certain limited circumstances);
- ALE Securityholders will continue to be exposed to the benefits and risks associated with an investment in ALE Group;
- ALE Group's ability to undertake acquisitions will continue to be limited. It will be in a weaker negotiating position with ALH in terms of rent reviews and lease negotiations by comparison to the Merged Group;
- ALE Group will be exposed to the risks and uncertainty associated with the uncapped rent reviews in 2028 and the outcome of the New Determinations; and
- the ALE Security price will likely fall. The current price of ALE Group reflects the terms of the Proposal and therefore includes a control premium, as well as the anticipation of the benefits of implementing the Schemes, including the expected earnings, distribution and NTA accretion. As such, in the absence of the Proposal, an alternative proposal or speculation concerning an alternative proposal, the ALE Security price is likely to fall to levels consistent with trading prices prior to the emergence of the Proposal, adjusted for any subsequent events including the announcement on 20 September 2021 of the increase in pro forma NTA of \$4.11.

4 Other matters

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act 2001 (Cth) (the **Corporations Act**) and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting ALE 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.

This report constitutes general financial product advice and has been prepared without taking into consideration the individual circumstances of ALE Securityholders. This advice therefore does not consider the financial situation, objectives or needs of individual ALE Securityholders.

The decision of ALE Securityholders as to whether or not to approve the Schemes is a matter for individual securityholders who should, therefore, consider the appropriateness of our opinion to their specific circumstances. As an individual's decision to vote for or against the proposed resolutions may be influenced by their particular circumstances, we recommend that individual ALE Securityholders, including residents of foreign jurisdictions, seek their own independent professional advice.

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, references to calendar years have been abbreviated to CY and references to half year have been abbreviated to H.

Our opinion is based solely on information available as at the date of this report. This information, and our limitations and reliance on information section, are 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.

Kroll has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the end of this 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

A handwritten signature in blue ink, appearing to read "Ian Jedlin".

Ian Jedlin
Authorised Representative

A handwritten signature in blue ink, appearing to read "Celeste Oakley".

Celeste Oakley
Managing Director

Annexure A: Independent Expert's Report



**Independent Expert Report
and
Financial Services Guide**

**In relation to the proposed acquisition of ALE Property Group by
Charter Hall Long WALE REIT and Hostplus Pooled Superannuation
Trust**



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5 The Proposal

5.1 Overview of the Proposal

In July 2021, ALE Group received an unsolicited, confidential, conditional, non-binding indicative proposal from the Consortium Acquirer Group.

The ALE Board established an Independent Board Committee comprising all ALE Directors other than Caledonia nominee Directors to evaluate the Proposal. The Independent Board Committee, in conjunction with ALE Group's advisers, assessed the indicative proposal and determined to grant the Consortium Acquirer Group a period of due diligence. As part of the evaluation of the Proposal, the Independent Board Committee discussed the terms of the indicative proposal with Caledonia.

On 20 September 2021, ALE announced that it had entered into a Scheme Implementation Deed with the Consortium Acquirer Group comprised of CLW, Hostplus and the Consortium Acquirer in relation to the Proposal for the Consortium Acquirer (or its nominees) to acquire all of the ALE Securities by way of a trust scheme and a company scheme of arrangement (together, the Schemes).

Under the Proposal, ALE Securityholders will receive (in addition to ALE Group's 5.5 cents September quarter distribution) the following consideration in exchange for each ALE Security:

- **Mixed Consideration:** \$3.673 cash payment and 0.4080 CLW Securities;
- **Maximum Scrip Consideration:** 1.1546 CLW Securities; and
- **Maximum Cash Consideration:** \$5.681 cash.

The Maximum Scrip Consideration and Maximum Cash Consideration are subject, respectively, to the maximum amounts of CLW Securities (81,845,477) and cash consideration (\$736,779,439) available under the Schemes such that the total consideration, based on a reference price for CLW Securities of \$4.92, will be represented by approximately 65% cash and 35% scrip (although this mix will change depending on the CLW Security price at the Implementation Date). Accordingly, if either of the two alternatives is oversubscribed, they will be scaled back on a pro rata basis (Scaleback Arrangements). If the Scaleback Arrangements apply to the Maximum Scrip Consideration, relevant ALE Securityholders will receive cash consideration in place of the scaled back component of the CLW Securities to which they would otherwise have been entitled. If the Scaleback Arrangements apply to the Maximum Cash Consideration, relevant ALE Securityholders will receive CLW Securities in place of the scaled back component of the cash consideration to which they would otherwise have been entitled. Refer to Section 4.3 of the Scheme Booklet for further details on the Scaleback Arrangements.³⁰

The default option for ALE Securityholders who do not make an election or make an invalid election is the Mixed Consideration. The Mixed Consideration will not be subject to Scaleback Arrangements. Ineligible Foreign Securityholders are deemed to make a valid election to receive the Mixed Consideration. All CLW Securities that would have been issued to Ineligible Foreign Securityholders are to be dealt with under the Sale Facility.

In addition, ALE Securityholders will be entitled to receive the ALE Group 1Q22 distribution of 5.5 cents per ALE Security. In the event that the Schemes are not implemented by December 2021, ALE Securityholders will not receive the CLW 2Q22 distribution and they receive the ALE Group 2Q22 distribution, however, the Scheme Consideration will be reduced by the value of any ALE Group 2Q22 distribution.

The Scheme Implementation Deed contains a number of conditions as set out in Section 5.2.

The ALE Directors unanimously recommend that ALE Securityholders vote in favour of the Schemes, in the absence of a superior proposal.

Caledonia holds a 33.6% voting interest in ALE Securities.³¹ It has confirmed that it intends to vote in favour of the Schemes in the absence of a superior proposal and subject to the independent expert concluding (and continuing to conclude) that the Schemes are in the best interests of ALE Securityholders.

³⁰ In particular, Section 4.3 h) sets out worked examples in the event that either the Maximum Cash Consideration or Maximum Scrip Consideration are oversubscribed.

³¹ In addition, Caledonia holds a 7.61% interest through cash settled swaps. It does not control voting rights in the interest held through cash settled swaps.



Implementation of the Schemes will result in the ALE Group becoming part of the Merged Group. CLW and Hostplus will each hold a 50% interest in ALE Property Trust and ALE Securityholders will hold an 11.4% interest in the Merged Group.³² The Proposal is described more fully in Section 4 of the Scheme Booklet.

A majority of ALE Group's debt will be refinanced as part of the transaction.

5.2 Conditions of the Schemes

Implementation of the Schemes is subject to certain conditions precedent, which are summarised as follows:

- ALE Securityholders approving the Proposal Resolutions by the requisite majorities at the Scheme Meetings;
- ASIC and ASX approvals and waivers being obtained;
- no prescribed occurrence, regulatory actions or restraints preventing the Schemes;
- the independent expert concluding that the Schemes are in the best interests of ALE Securityholders; and
- Court approval.

Section 13.5 of the Scheme Booklet sets out the conditions precedent in more detail.

The Scheme Implementation Deed contains customary exclusivity provisions that apply during the Exclusivity Period,³³ including no shop, no talk, notification obligations and matching rights. A break fee of \$11.0 million will be payable by ALE Group to the Consortium Acquirer Group in certain circumstances and a reverse break fee of \$11.0 million will be payable by the Consortium Acquirer Group to ALE Group in certain circumstances.

5.3 Transaction costs

ALE has estimated total one-off transaction costs in relation to the Schemes to be approximately \$21.0 million on a pre-tax basis, of which approximately \$2.6 million will have been paid or committed prior to the Scheme Meetings. One-off transaction costs associated with the Schemes primarily relate to the premium for professional indemnity run-off insurance, adviser fees and staff payments.

In addition, CHWALE has estimated CLW's transaction costs in relation to the Schemes are \$23.9 million.

6 Scope of the report

6.1 Purpose

In relation to the company scheme of arrangement, we have referred to guidance provided by ASIC in its Regulatory Guides, in particular RG111 which outlines the principles and matters which it expects a person preparing an independent expert report to consider when providing an opinion on whether a scheme of arrangement is in the best interests of securityholders. The statutory requirement for an independent expert report in respect of the company scheme of arrangement does not apply because:

- none of Consortium Acquirer, Hostplus, CLW or Consortium Acquirer Nominee are entitled to 30% or more of the voting securities in ALE; and
- none of the directors of Consortium Acquirer, Hostplus, CLW or Consortium Acquirer Nominee are also a director of ALE.

In relation to the trust scheme, there is no specific statutory framework for a trust scheme as there is for a scheme of arrangement between companies and their members. As such, the Takeovers Panel has issued Guidance Note 15 outlining the recommended procedures for a trust scheme. Guidance Note 15 suggests

³² Calculated as the Available Scrip Consideration of 81.8 million CLW Securities divided by number of CLW Securities on issue post transaction, being the sum of the 634.2 million CLW Securities on issue as at 30 June 2021, 3.6 million new CLW Securities issued as consideration for acquisitions that occurred post 30 June 2021, 2.4 million new CLW Securities issued as part of the Distribution Reinvestment Plan and 81.8 million securities issued to ALE Securityholders.

³³ The period commencing on 20 September 2021 and ending on the earlier of the termination of the Scheme Implementation Deed, 17 December 2021 and six months from the date of the Scheme Implementation Deed or such later date as the Consortium Acquirer and ALE may agree in writing.

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. As such, a statutory requirement for an independent expert report applies in relation to the trust scheme.

This report is to be included in the Scheme Booklet to be sent to the ALE Securityholders and has been prepared for the purpose of assisting ALE Securityholders in their consideration of the Schemes.

6.2 Basis of assessment

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. 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; and
- an offer is 'reasonable' if it is 'fair'. An offer might be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111.13 sets out the factors an expert might consider in assessing whether an offer is reasonable:

- the bidder's pre-existing voting power in securities in the target;
- other significant security holding blocks in the target;
- the liquidity of the market in the target's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.

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.

RG 111.21 states that if an expert would conclude that a proposal was 'not fair but reasonable' if it was in the form of a takeover bid, it is still open to the expert to also conclude that the scheme is 'in the best interests' of the members of the company.

RG 111.11 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. This 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 entity. That is, RG 111.11 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, any special value of the 'target' to a particular 'bidder' (e.g. synergies that are not available to other bidders) should not be taken into account under the comparison.

Accordingly, when assessing the full underlying value of ALE Group, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of ALE Group. As such, we have not included the value of special benefits that may be unique to CLW. Accordingly, our valuation of ALE Group has been determined without regard to the specific bidder, and any special benefits have been considered separately.



7 Profile of ALE Group

7.1 Background

ALE Group is an ASX listed, internally managed A-REIT. It owns a portfolio of 78 pubs that are leased to ALH, a subsidiary of Endeavour Group, Australia's largest pub operator and liquor store retailer, under long-term leases. ALE Group's portfolio is diversified across all mainland states and as at 6 September 2021, was valued at \$1.3 billion. Immediately prior to the announcement of the Proposal on 20 September 2021, ALE Group had a market capitalisation of \$942 million.³⁴

ALE and ALH were formed in November 2003 as part of the divestment by Foster's Group of its Leisure and Hospitality Division into two publicly listed entities, namely:

- **ALE Group:** ALE Trust acquired the freehold title to 105 pubs through a wholly owned and controlled sub-trust, ALE Direct Property Trust. The portfolio was leased to ALH under long-term leases and ALE, the responsible entity of ALE Trust, would manage ALE Trust as a passive owner of pubs. ALE Group retained land, buildings and fixed improvements; and
- **ALH:** became the operator of the pubs and retained the plant, furniture and equipment, gaming and liquor licences, goodwill, leasehold improvements and certain development rights.

At listing, ALE Group was highly leveraged (83% gearing³⁵) and intended to enter into interest rate swaps for at least five years. The weighted average hedge term reached a high of 13 years in 2010. Over time, the WALE of the property portfolio declined and the global financial crisis adversely impacted interest rates and markets such that the ALE Board determined that the level of gearing should be reduced in a post global financial crisis market. Unfavourable movements in derivatives in FY19 and FY20 negatively impacted statutory net profit and NTA per security. In addition, it was determined that certain properties were non-core as they were considered to be over-rented³⁶ (among other factors) and consequently, would potentially decline in value when rents were reviewed in November 2028.

Strategy

ALE's strategy has been focused on maximising securityholder value, by optimising relations with ALH, disposing of non-core properties and preparing the A-REIT in the best way possible for the uncapped rent reviews in 2028. By August 2021, ALE had executed sales agreements on eight non-core properties (with settlement of the last two properties to be completed in November 2021). Following the sale, ALE Group's leverage declined to a historical low (36.4%³⁷ as at 30 June 2021). As a consequence, ALE restructured legacy derivatives and as a result of the passage of time, ALE Group's weighted average hedge term reduced to 4.4 years at 30 June 2021. No acquisitions have been undertaken in recent years due to the difficulty of identifying potential transactions that would be IRR accretive.

Endeavour Group Limited

In late 2004, a joint venture between Woolworths (75%) and BMG (25%), acquired ALH and in 2005, the operations of ALH, MGW Hotels and BMG were merged to form ALH Group. ALH Group subsequently expanded its hotel portfolio through numerous acquisitions including the Taverner Hotel Group, the Compass Hotel Group and properties from the Laundry, Waugh, De Angelis and Bayfield Hotel Groups.

In February 2020, Woolworths transferred its retail liquor business and a 75% interest in ALH to a newly established entity, Endeavour Group. Endeavour Group acquired BMG's 25% in ALH in exchange for a 14.6% interest in Endeavour Group, with Woolworths retaining 85.4%. In June 2021, Endeavour Group was demerged from Woolworths and publicly listed. Endeavour Group is currently owned 15.1% by BMG and 14.6% by Woolworths.

³⁴ Calculated as ALE Group's closing price on 17 September 2021 of \$4.70 multiplied by 200,407,523 securities on issue.

³⁵ Source: ALE Prospectus. Calculated as total borrowings divided by the sum of net tangible assets and total borrowings. Pro forma, including properties at valuation.

³⁶ Extent to which passing (contracted) rent is greater than market rent.

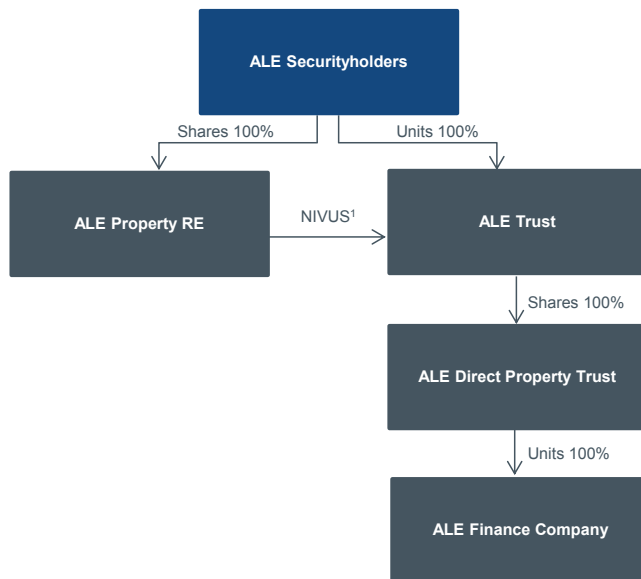
³⁷ Calculated as total borrowings less cash as a percentage of total assets less cash, deferred tax assets and derivatives for bond issuing entity, ALE Direct Property Trust.

7.2 Operating structure

ALE is a stapled entity comprised of ALE and ALE Trust and its controlled entities, ALE Direct Property Trust and ALE Finance Company. The ALE Securities comprise one share in ALE and one unit in ALE Trust and trade on the ASX as LEP. ALE is the responsible entity for ALE Trust. ALE Direct Property Trust is the owner of the property portfolio.

The operating structure of ALE Group is summarised as follows.

ALE Group Operating Structure



Source: ALE Group

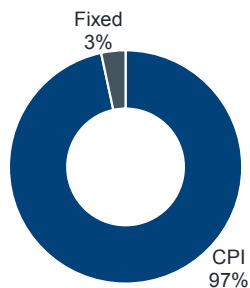
Note 1: NIVUS is non-income voting units in the ALE Trust.

7.3 Lease agreement

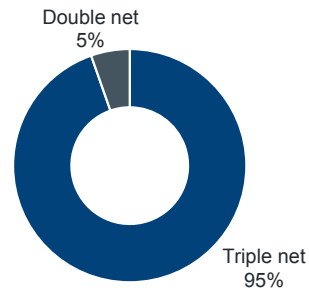
7.3.1 Lease terms and conditions

The leases include a number of unique features that add to the security of net income and opportunity for rental growth. Of the 78 continuing properties, 75 have standard lease terms which include Consumer Price Index (CPI) rental increases and are triple net (i.e. tenant pays property tax, insurance and most maintenance). Three properties (Brass Monkey, Western Australia (WA), Pritchard's, NSW and Balmoral, WA) are on non-standard leases and have fixed or CPI rental increases and are double net (i.e. tenant pays property tax, some maintenance and insurance). The mix of annual rent increases and lease structure type are illustrated as follows.

ALE Annual Rent by Income



ALE Lease Structure Type by Income



Source: ALE Group

Annexure A: Independent Expert's Report



The key terms of the 70 standard leases that commenced in November 2003, the standard leases with later start, end and uncapped rent review dates and non-standard leases are as follows.

ALE Group Lease Terms

Hotel	Current Rent Review Date	Gross Rent ¹ (\$ million)	Lease Start date	Lease End Date	Lease Term & Options (Years)
Standard lease, November 2018 rent review					
Berwick, VIC	Jun 18	1.1	Feb 06	Nov 28	25 + 4 x 10
70 Hotels	Nov 18	51.2	Nov 03	Nov 28	26 + 4 x 10
Four Mile Creek, QLD	Dec 18	0.5	Dec 03	Nov 28	27 + 4 x 10
Prince of Wales, QLD	Nov 18	0.5	Jan 13	Nov 28	15.8 + 4 x 10
Standard lease, later rent review					
Burleigh Heads, QLD	Nov 23	0.8	Nov 08	Nov 33	25 + 4 x 10
Narrabeen Sands, NSW	Jan 24	0.9	Jan 09	Jan 34	25 + 4 x 10
Non standard leases					
Brass Monkey, WA	on renewal	0.6	Jul 15	Jun 20	5 + 1 x 5
Pritchard's, NSW	on renewal	1.9	Sep 05	Aug 20	15 + 4 x 10
Balmoral, WA	5 yearly	0.5	Aug 02	Feb 18	15 + 2 x 5
Total rent		58.0			

Source: ALE Group

1. FY21 rents before deducting land tax for QLD properties.

The key terms of the standard leases are as follows:

- **term:** an initial term of 25 years with options to extend for four additional terms of 10 years. The first of four 10 year options for ALH to renew occur between 2028 and 2034;
- **triple net leases:** ALH is required to take responsibility for rates, insurance and all maintenance and repairs, as well as land tax in all states except in QLD;
- **Rent CPI review:** rent is increased by CPI each year and rents do not decline in the event of a negative CPI;
- **Current Rent review:** on the 15th anniversary from the commencement of the lease and at the commencement of any subsequent terms, rent is reviewed based on a prescribed valuation methodology and parameters. In the case of the review on the 15th anniversary, a 10% cap and collar apply. For most leases, the 15th anniversary occurred in November 2018 and the first full uncapped rent review will be undertaken in November 2028;
- **change of control protections:** a change in more than 20% of the ownership of ALH requires ALE Group's consent based on its reasonable opinion that ALH will continue to have the financial capacity, business skills, other resources and authorisations to enable it to conduct the permitted operating uses profitably and perform all of its the lease obligations (an exception applies if ALH becomes an ASX listed entity);
- **assignment protections:** following ALH approved assignments, ALE Group continues to enjoy the benefit of an effective guarantee from ALH of any new tenant's obligations for the remaining lease term, as ALH is not released on assignment;
- **right of first refusal:** in certain situations, ALH has a right of first refusal to acquire the properties in the event ALE Group wishes to sell the properties;
- **developments:** the tenant may carry out structural work with the landlord's approval. Non-structural works carried out by the tenant remains the property of the tenant.
- **repairs:** the tenant must maintain the premises in good and tenantable repair and condition having regard to the age and nature of the premises, the extent to which the tenant is currently using a particular part of the premises and any capital expenditure on the premises proposed by the tenant and which is carried out within the reasonable time frame proposed by the tenant. The landlord is responsible for carrying out structural work and maintenance repairs and replacements of a capital nature where those works are required due to a structural defect that existed at the start of the lease; and

- **put and call option:** Between 18 and 15 months prior to the expiration of the initial term, ALH has the option to require ALE Group to purchase ALH's assets and goodwill associated with the pub and gaming business. If the put option is not exercised and the lease not renewed, between 15 and 12 months prior to expiration of the initial term, ALE Group has the option to acquire the assets and goodwill associated with the pub and gaming business. For both options ALH can decide whether or not to exclude the gaming machine rights. A put or call option must be exercised collectively for the portfolio.

Process for determining Current Rent

The parties must use reasonable endeavours to agree a Current Rent. If no agreement is reached, an independent property valuer is appointed. The valuer must determine the Current Rent in accordance with Part A of the Valuation Methodology (as amended) which prescribes that the rent shall be a fair rent for the premises and should disregard the value attributable to licences, goodwill, development rights granted to the tenant and structural works undertaken by the tenant (other than structural works which form part of the landlord's works), which remain in the ownership of the tenant and any impaired condition of the premises resulting from the tenant, subleases and rent-free periods.

The valuer should take into account rents for comparable premises (taking into account the current building area including any retail liquor outlets) and the earnings before interest, tax, depreciation, amortisation and rent (**EBITDAR**) for the last three financial years from all operations (including retail liquor outlets) on the land (irrespective of which person operates that business or owns the improvement), submissions provided by the landlord and tenant and in the case of the review on the 15th anniversary, the 10% cap and collar.

Amendments

Each of the leases was amended in 2011 to ensure that earnings from all businesses that operate on the site (including retail liquor outlets) are considered in the determination of Current Rent.

7.3.2 Rental Determinations

79 properties out of ALE Group's then 86 properties were subject to a rent review in 2018.³⁸ As set out in ALE's ASX announcement dated 14 September 2020:

- ALE and ALH agreed that:
 - rents for 36 properties would increase by the full 10% cap;
 - rents for the remaining 43 properties would be subject to determination by independent valuers in accordance with the terms of the leases (the Determinations);
- ALE advised that the Determinations had been issued and the rent for the 43 properties would remain substantially unchanged from the rent immediately preceding November 2018.

On 19 October 2020, ALE commenced proceedings (as plaintiff) in the Supreme Court of Victoria seeking declarations that the 19 Victorian rent determinations were not made in accordance with the requirements of the rent review provisions of the relevant leases (Victorian Litigation). Following the sale of three of the relevant properties, there were 16 properties which were the subject of the Victorian Litigation (the Victorian Determinations).

The court delivered its judgment in the Victorian Litigation on 20 October 2021. The court decided that the 16 Victorian Determinations were not made in accordance with the leases, are not binding and must be redone (New Determinations).

The court held that:

- the valuer did not make an error in applying the valuation methodology in the leases. The leases adopt a subjective 'fair rent' test which entails fairness to both parties. It is appropriate for the valuer to take into account considerations relevant to market rent. It is open to the valuer to assess rent on the basis of a good average manager but it is not mandatory. The court also held that experts are given a considerable degree of latitude when they carry out a valuation in accordance with the terms of an agreement; and
- the valuer took into account a submission from the tenant relating to the tenant's EBITDAR information which the valuer was not permitted to take into account. This departure from the

³⁸ Of the remaining seven properties, four have later review dates and three have non-standard leases.



requirements of the leases was significant and material and, as a consequence, the parties are not bound by the Victorian Determinations.

If rent determinations are undertaken in 2028, the decision provides guidance as to the application of the valuation methodology in the leases.

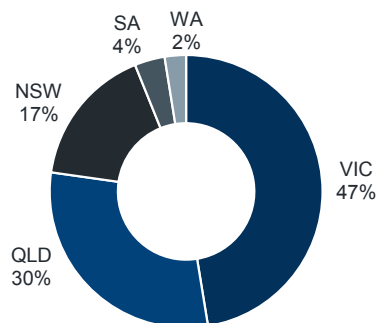
7.3.3 Endeavour Group Limited

ALE Group's sole tenant is ALH Group, which is 100% owned by Endeavour Group, the operator of over 330 licensed venues and more than 1,643 BWS and Dan Murphy's retail liquor outlets across Australia. It is also the operator of Jimmy Brings, Cellarmasters, Pinnacle Drinks, Langton's and Shorty's Liquor. Endeavour Group's liquor retail sales (87.8% of FY21 revenue) have performed strongly during the COVID-19 pandemic with a shift to in-home consumption, while its pubs (12.2% of revenue) have performed well despite significant COVID-19 closures and restrictions. As at 26 October 2021, Endeavour Group had a market capitalisation of \$12.1 billion.³⁹ As at 28 June 2021 (the demerger date), Endeavour Group had \$625 million of committed undrawn borrowings and \$437 million cash and cash equivalents. Endeavour Group's borrowings are unrated.

7.4 Investment property portfolio

ALE Group holds a portfolio of 78 pubs⁴⁰ located in all mainland states in Australia. The continuing portfolio is geographically diversified with a strong weighting towards metropolitan locations along the eastern seaboard of Australia. Approximately 30% of the portfolio is located in QLD, where legislation requires liquor retailers to also operate pubs and 17% of the portfolio is located in NSW, where gaming revenue is stronger. All properties except for one are located in metropolitan areas.

ALE Group Portfolio Composition by Geography (by Value)



Source: ALE Group

Note: Excludes two properties for which sale contracts had been exchanged but which are expected to be settled in November 2021.

ALE Group's continuing portfolio as at 6 September 2021 is summarised as follows and the full portfolio listing is set out in Appendix 3.

³⁹ Calculated as the closing price on 26 October 2021 of \$6.73 multiplied by 1,790,880,017 Endeavour Group shares outstanding.

⁴⁰ Excludes two properties for which sale contracts had been exchanged which are expected to be settled in November 2021.



ALE Group Portfolio Summary as at 6 September 2021

State	Number of properties	Fair value (\$ million)	Capitalisation rate	Percentage of total
New South Wales	10	216.2	3.98%	16.6%
Victoria	30	616.6	4.37%	47.5%
Queensland	27	387.6	4.24%	29.8%
South Australia	7	46.5	4.70%	3.6%
Western Australia	4	32.5	6.36%	2.5%
Total	78	1,299.4	4.33%	100.0%

Source: ALE Group

Note: Excludes two properties for which sale contracts had been exchanged but which are expected to be settled in November 2021.

7.4.1 Landholdings

ALE Group's property portfolio is valued based on the current use. For certain properties, the land on which the pubs are located has significant potential value in excess of the value in their current use. In this regard, we note that:

- over 99% of land is located in Australian capitals and major cities;
- the 78 properties occupy a land area of 915,656 square metres;
- the average property size is 11,739 square metres;
- average book value of \$1,419 per square metre of land;
- average of 23% of each property is occupied by pub and retail liquor buildings (the balance is car parking and vacant land; and
- all development opportunities are subject to ALH's lease rights and require ALE Group and ALH to agree. ALH and ALE have been unable to agree the parameters of potential developments and the mechanism for attributing potential development profits between the parties.

7.4.2 Developments

ALH has undertaken a number of developments across ALE Group's properties including five substantial reconstructions, 13 significant refurbishments and 24 Dan Murphy's additions. In addition, ALH has regular maintenance obligations. These developments are likely to have resulted in earnings accretion for ALH. All earnings from all activities are included for rent review purposes, irrespective of the funding source for the additional leasehold improvements, however, the rent review at 2018 was subject to a 10% cap and collar. Consequently the full value from these developments will only be realised by ALE Group when the properties are subject to uncapped rent reviews in 2028.

7.4.3 Divestments

ALE settled the sale of four non-core properties in FY21 and exchanged contracts on two additional properties prior to 30 June 2021, with settlements completed on 26 July 2021 (Noosa Reef Hotel, Noosa Heads, QLD) and 13 September 2021 (Boundary Hotel, East Bentleigh, VIC). ALE Group exchanged contracts on two additional properties, Tudor Inn, Moorabbin, VIC and Royal Exchange Hotel, Toowong, QLD, in August 2021, with settlement to be completed on 8 and 9 November 2021, respectively. The weighted average premium to book value for the eight properties is 26.3% and weighted average initial yield is 4.28%.

Annexure A: Independent Expert's Report



ALE Group Divestments

Property	Price (\$ million)	Yield	Premium to Book Value
Edinburgh Castle Hotel, Kedron, QLD	7.5	4.54%	0.00%
Kedron Park Hotel, QLD	4.6	4.80%	35.30%
Morwell Hotel, VIC	3.1	4.74%	13.30%
Pelican Waters Inn, Caloundra, QLD	10.8	4.06%	42.10%
Noosa Reef Hotel, Noosa Heads, QLD	13.9	4.98%	14.90%
Boundary Hotel, East Bentleigh, VIC	33.0	4.23%	30.20%
Royal Exchange, Toowong, QLD	14.1	4.01%	31.30%
Tudor Inn, Moorabbin, VIC	15.7	3.79%	32.20%
Total/weighted average	102.6	4.28%	26.30%

Source: ALE Group

7.4.4 Key Portfolio Statistics

A summary of the key statistics for ALE Group's portfolio are presented as follows.

ALE Key Portfolio Statistics

	As at 30 June				As at 6 September 2021
	2018	2019	2020	2021 ¹	
Number of properties	86	86	86	82	78
Value (\$ million)	1,136.3	1,163.2	1,174.2	1,294.3	1,299.4
Increase in value	5.2%	2.4%	0.9%	10.2%	0.4%
Increase in value (like for like) ²	5.2%	2.4%	0.9%	12.4%	6.0%
Average site area (sqm)	11,000	11,000	11,000	11,643	11,731
Average property value (\$ million)	13.2	13.5	13.6	15.8	16.7
Passing rental growth ³	1.9%	4.5%	0.9%	2.2%	0.2%
Occupancy	100%	100%	100%	100%	100%
WALE (years)	10.3	9.3	8.3	7.3	7.1
Average Passing Yield ⁴	4.98%	5.09%	5.08%	4.59%	4.33%

Source: ALE Group

Notes:

1. Statistics at 30 June 2021 include four properties that were held for sale. No properties were held for sale in prior periods.
2. Like for like increase in value excludes the impact of divestments.
3. The rent (net of QLD land tax) specified by the lease agreement.
4. Calculated as rent specified by the lease agreement (net of QLD land tax) divided by the property value. Average Passing Yield for the portfolio is for completed properties only.

Valuations

ALE's valuation policy is that investment properties are subject to external valuation at least once every three years. Following the receipt of the November 2018 Determinations in September 2020, the whole portfolio was independently valued as at 31 December 2020. In June 2021, a sample of 36 properties (44%) were independently valued, 44 properties were internally valued by the ALE Directors and two properties were valued based on the executed sales contract.

Investment property valuations, excluding properties held for sale, increased by 12.4% ('like for like' basis) during FY21 as a result of:

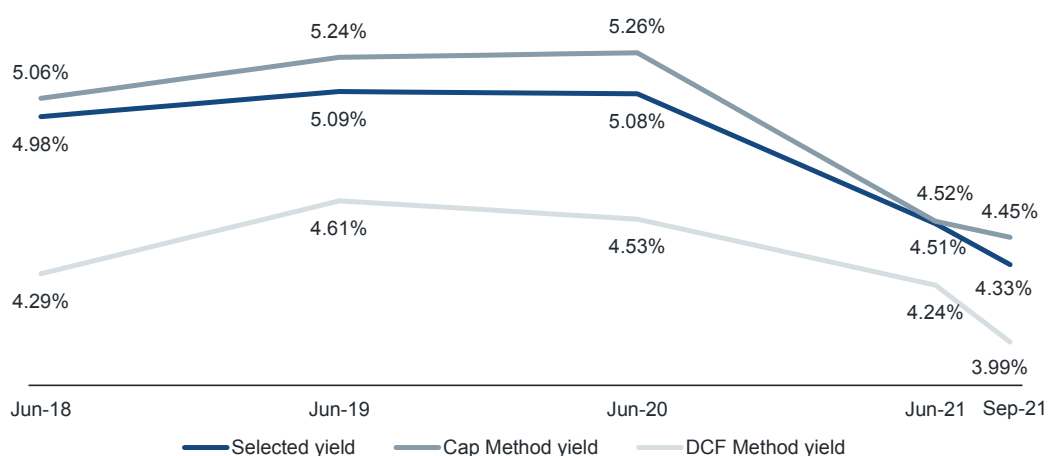
- the outcome of the Determinations for the 43 properties that was received in September 2020;
- CPI rental increases in November 2020;
- yield compression from 5.08% to 4.59%; and
- \$4.2 million profit on sale of four properties non-core properties that were settled prior to 30 June 2021.



As a result of the indicative proposal from the Consortium Acquirer Group and a number of recent pub sales, all of the properties except for the properties in Western Australia (WA) (2.7% of portfolio value at 30 June 2021) were independently valued, resulting in a 6.0% uplift in values excluding properties held for sale. The uplift mainly reflected a 25 bps decline in average passing yield to 4.33%. Including the sale of Tudor Inn, Moorabbin, VIC, and Royal Exchange, Toowong, QLD, at a 32.2% and 31.3% premium to book value, respectively, unaudited NTA per security increased to \$4.11.

The independent property valuers apply both Cap Rate and DCF valuation methodologies. As illustrated in the following chart, the valuers have typically placed greater reliance on the Cap Rate methodology.

ALE Group Selected Yield, Cap Rate Yield and DCF Implied Yield



Source: ALE Group

ALE believes that the DCF methodology provides a comprehensive view of the quality of the lease and tenant as well as the potential for rent to increase following the uncapped rent reviews in 2028. In applying the DCF methodologies the valuers make their own independent assessment of the tenant's current level of EBITDAR and also adopt industry standard rental ratios (rent as a proportion of EBITDAR). The valuers also use a range of assumptions they deem appropriate for each of the individual properties.

The independent property valuers provided an opinion on the uncapped rent for the continuing properties. As at 30 June 2021, the assessed uncapped under-renting was 35.6%, a 9.2% increase from 31 December 2020 levels, largely due to the sales of the over-rented non-core properties and the impact of the June 2021 valuations. The assessed under-renting increased further to 36.5% at 6 September 2021, a 2.5% increase, reflecting the sale of the remaining non-core properties and impact of the September 2021 valuations.

Other metrics

Average passing (or contract) rent⁴¹ increased by 4.5% in FY19, reflecting the agreed 10% increase on 34 properties. Increases in other periods reflect CPI growth.

Occupancy is 100% as all properties are fully leased to ALH. The portfolio's WALE reflects the remaining term of the initial lease (predominantly until November 2028) and, therefore, WALE declines each year.

Average passing (or contract) yield⁴² increased slightly in FY19, remained flat in FY20, then compressed in FY21 and again at 6 September 2021.

Over the last 13 years, ALE Group's average passing yield compressed by significantly less than capitalisation rates across the sector and bond rates.

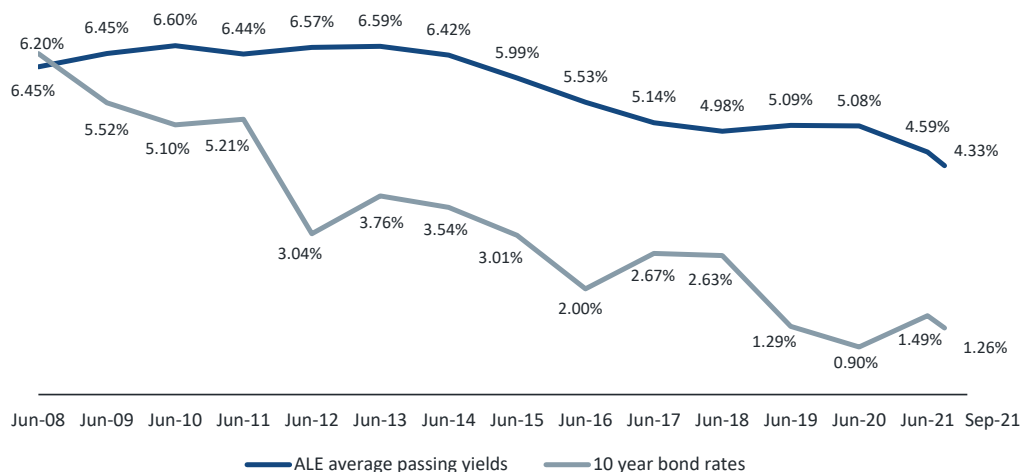
⁴¹ The rent specified by the lease agreement.

⁴² Calculated as rent specified in the lease agreement divided by the property value.

Annexure A: Independent Expert's Report



ALE Group Passing Yield and 10 Year Bond Rates



Source: ALE Group

7.5 Financial performance

7.5.1 Historical financial performance

ALE Group's financial performance for FY18 to FY21 is summarised as follows.

ALE Group Financial Performance (\$ millions)

	FY18 Audited	FY19 Audited	FY20 Audited	FY21 Audited
Property income	58.1	60.2	61.4	62.5
Interest income	1.0	0.8	0.3	0.1
Total revenue	59.1	61.0	61.7	62.6
Management fees, salaries and other expenses ¹	(5.7)	(7.6)	(5.9)	(7.7)
Land tax	(2.4)	(2.9)	(3.3)	(3.3)
Finance costs - cash	(22.1)	(22.2)	(22.0)	(17.2)
Distributable income	29.0	28.3	30.4	34.4
Net fair value movements on investment properties	54.3	26.6	10.9	141.3
Net fair value movements on derivative financial instruments	(4.7)	(25.2)	(17.3)	6.1
Profit on sale of investment properties	-	-	-	4.2
Share based payments	(0.2)	(0.1)	(0.2)	(0.2)
Finance costs - non-cash	(3.2)	(3.0)	(3.8)	(6.3)
Income tax expense	(0.0)	(0.0)	0.0	(0.3)
Net profit attributable to ALE stapled securityholders	75.1	26.6	20.0	179.2
Statistics				
Property income growth	1.9%	3.7%	2.0%	1.7%
Distributable income growth	(0.3)%	(2.5)%	7.5%	13.0%
Distributable income margin	50.0%	47.0%	49.5%	55.0%
Interest cover ²	2.6x	2.5x	2.6x	3.4x

Source: ALE Group and Kroll analysis

Notes:

1. Excludes share-based payments.
2. Calculated as ALE Direct Property Trust EBITDA divided by ALE Direct Property Trust interest expense.

In relation to ALE Group's financial performance for FY18 to FY21, we note:

- property income increased by a compound annual growth rate (CAGR) of 2.5%, reflecting CPI increases and in FY21, the impact of backdated rental increases of 10% on 36 properties from November 2018, net of the impact of the divestment of four properties;
- management fees, salaries and expenses increased in FY19 as a result of \$3.1 million in rent review costs and again in FY21 as a result of \$1.6 million of non-recurring expenses associated with the Determination challenge, additional valuation fees, CEO transition and other items. Excluding significant items, ongoing management fees, salaries and other expenses in FY21 includes \$2.8 million of salaries and oncosts, \$0.2 million occupancy costs, \$0.5 million administration expenses, \$2.3 million of services fees (e.g. corporate advisory, legal expenses, insurance) and \$0.6 million compliance and revaluations. It is expected that insurance costs will increase by \$0.7 million in FY22;
- finance costs were lower in FY21 as borrowings were refinanced during the year at lower interest rates. The weighted average hedged interest rate decreased from 4.11% in FY20 to 3.48% in FY21 reflecting lower interest rates and derivative restructures;
- distributable income increased by 13.0% in FY21 as a result of growth in property income and lower finance costs, partially offset by an increase in expenses; and
- net profit after tax increased from \$20.0 million in FY20 to \$179.2 million in FY21 as a result of higher distributable income, net property valuation gains, profits on sale of properties and favourable derivative movements, partially offset by higher borrowing cost amortisation.

7.5.2 Distributions

ALE Group's distributable income and distributions are summarised as follows.

ALE Group Distributions

	FY18 Audited	FY19 Audited	FY20 Audited	FY21 Audited
Number of stapled securities at the end of the year (millions)	195.8	195.8	195.8	200.4
Distributable income per stapled security	14.8¢	14.5¢	15.5¢	17.2¢
Distribution paid per stapled security	20.8¢	20.9¢	20.9¢	21.5¢
Distributions in excess of distributable income	(6.0)¢	(6.5)¢	(5.4)¢	(4.4)¢
Distribution funded as follows:				
Current year distributable income	14.8¢	14.5¢	15.5¢	17.2¢
Securities issued: Distribution Reinvestment Plan	-	-	5.0¢	6.1¢
Capital and surplus cash	6.0¢	6.5¢	0.3¢	(1.7)¢
Total	20.8¢	20.9¢	20.9¢	21.5¢
Payout ratio ¹	140%	145%	135%	125%

Source: ALE Group and Kroll analysis

Notes:

- Payout ratio is calculated as distributions per ALE Security divided by distributable income per ALE Security.

Under the current income tax legislation, ALE Trust is not liable for Australian income tax, provided that its taxable income and taxable realised gains are fully distributed to securityholders each financial year. Distributions include other Australian income, tax deferred and in 2H21, capital gain components; and

In the last four years, ALE Group has consistently paid distributions in excess of distributable income, with a payout ratio in the range of 125% to 145%. In assessing distributions, the ALE Directors have considered a range of factors, including the current level of under-renting and the uncapped rent reviews in 2028.

Distributions in excess of distributable income were funded by capital and surplus cash in FY18 and FY19 and mainly by a Distribution Reinvestment Plan in FY20 and FY21. Distributions for FY22 have been funded by the proceeds of non-core asset sales.

On 22 April 2021, the ALE Board advised that in order to improve cash flow for securityholders, its distribution policy would be amended to a quarterly distribution cycle effective from 1 July 2021. ALE Group's Distribution Reinvestment Plan was suspended for 2H21 and will not be in operation for the 1Q22 distribution.

Annexure A: Independent Expert's Report



7.5.3 Outlook

On 4 August 2021, ALE announced FY22 distribution guidance of 22.0 cents per ALE Security (a 2.3% increase on FY21). Guidance is subject to current economic conditions persisting and no unforeseen circumstances arising. ALE has advised the present intention is to increase annual distributions by at least CPI.

7.6 Financial position

ALE Group's financial position as at 30 June 2018, 2019, 2020 and 2021 is summarised as follows.

ALE Group Financial Position (\$ millions)

	As at 30 June			
	2018 Audited	2019 Audited	2020 Audited	2021 Audited
Cash and cash equivalents	46.0	33.1	39.6	43.6
Investment properties held for sale	-	0.7	-	68.9
Receivables	0.3	0.2	0.1	0.3
Other	0.3	0.4	0.7	1.7
Total current assets	46.6	34.3	40.4	114.5
Investment properties	1,136.3	1,163.2	1,174.2	1,225.4
Derivatives	0.8	-	-	-
Plant and equipment	0.1	0.0	0.0	0.0
Right of use asset	-	-	0.0	-
Deferred tax asset	0.3	0.3	0.3	0.1
Total non-current assets	1,137.4	1,163.6	1,174.5	1,225.5
Total assets	1,184.0	1,197.9	1,214.9	1,340.0
Payables	8.3	8.6	6.0	5.3
Employee benefits	0.3	0.3	0.3	0.2
Lease liability	-	-	0.0	-
Distribution payable	20.5	20.5	20.5	21.5
Total current liabilities	29.1	29.4	26.8	27.1
Borrowings	524.5	527.5	551.4	540.9
Derivatives	10.4	35.4	52.0	29.0
Total non-current liabilities	534.9	562.9	603.4	569.9
Total liabilities	564.0	592.3	630.3	597.0
Equity attributable to ALE stapled securityholders	620.1	605.6	584.6	743.0
Statistics				
<i>Number of stapled securities at period end (million)</i>	195.8	195.8	195.8	200.4
<i>NTA per stapled security¹</i>	\$3.17	\$3.09	\$2.98	\$3.71
<i>Covenant gearing²</i>	41.6%	41.5%	41.3%	36.4%

Source: ALE Group and Kroll analysis

Notes:

1. NTA per ALE Security is calculated as net tangible assets divided by the number of ALE Securities at period end.
2. Covenant gearing is calculated as total borrowings less cash as a percentage of total assets less cash, deferred tax assets and derivatives for bond issuing entity ALE Direct Property Trust.

In relation to the financial position of ALE Group as at 30 June 2021:

- ALE Group's investment properties comprise the direct ownership of 82 freehold hotels of which 78 were classified as investment properties (non-current) (\$1,225.4 million) and four were classified as assets held for sale (current) (\$68.9 million). Held for sale properties included two properties for which contracts for the sale were exchanged prior to 30 June 2021, with settlements completed on 26 July 2021 (Noosa Reef Hotel) and 10 September 2021 (Boundary Hotel). ALE Group exchanged contracts on two additional properties, Tudor Inn, Moorabbin, VIC and Royal Exchange Hotel, Toowong, QLD, in August 2021, with settlement to be completed on 8 and 9 November 2021, respectively; and
- the final FY21 distribution was provided for and was paid on 6 September 2021.

NTA per security declined from \$3.17 at 30 June 2018 to \$2.98 at 30 June 2020, mainly reflecting an increase in derivative liabilities as well as payment of distributions in excess of distributable income, then

increased by 24.2% to \$3.71 at 30 June 2021 as a result of positive net revaluations, the sale of assets at a premium to book value and a decrease in derivative liabilities.

7.6.1 Interest bearing liabilities

ALE has access to diverse capital markets. As at 30 June 2021, ALE Group had \$43.6 million in cash, \$543.1 million of drawn debt and \$15.0 million of undrawn debt. Drawn debt can be reconciled to the balance sheet as follows.

ALE Group Financing Facilities as at 30 June 2021 (\$ millions)

Debt facility	Issue rating	Facility limit	Amount drawn	Undrawn	Fixed/hedged rate	Maturity
Australian Medium Term Notes (Unsecured)	Baa2	150.0	150.0	-	4.00%	20 Aug 22
Capital Indexed Bond (Secured)	AAA/Aaa	158.1	158.1	-	3.40%	20 Nov 23
Australian Medium Term Notes (Unsecured)	Baa2	150.0	150.0	-	2.39%	20 Aug 24
Bank loans (Unsecured) ¹		100.0	85.0	15.0	2.99%	29 Mar 23, 24 & 25
Total borrowings		558.1	543.1	15.0	3.48%	
Less: capitalised borrowing costs			(2.2)			
Balance sheet debt			540.9			
Less: cash			(43.6)			
Net borrowings			497.3			

Source: ALE Group

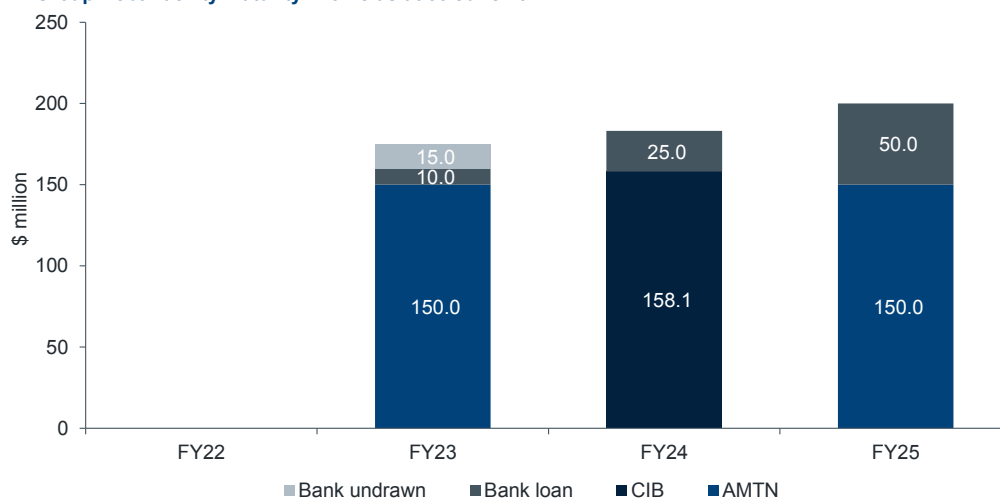
As at 30 September 2021, ALE Group had \$544.2 million of drawn debt, \$75.9 million in cash and capitalised borrowing costs of \$2.0 million. The fair value of debt at 30 September 2021 was \$559.5 million.

In May 2006, ALE Group issued \$125 million of CIBs of which \$111.9 million at face value remains outstanding. A fixed rate of interest of 3.40% p.a. (including credit margin) applies to the CIB and is payable quarterly, with the outstanding balance of the CIB accumulating quarterly in line with the national CPI. The total amount of the accumulating indexation is not payable until maturity of the CIB in November 2023. ALE Group's CIB has been assigned an AAA Standard & Poor's credit rating and Aaa Moody's rating, while the A-MTNs have been assigned a Baa2 (negative outlook) Moody's rating.

The AMTNs expiring in August 2022 are fixed rate securities, while the AMTNs expiring in August 2024 are floating rate securities. Borrowings with maturities in FY22 were refinanced during FY21. ALE Group obtained \$100 million of bilateral loan facilities and a 3.5 year floating rate A-MTN.

As at 30 June 2021, the weighted average maturity on ALE Group's borrowings was 2.4 years. ALE Group's debt maturity profile as at 30 June 2021 is illustrated as follows.

ALE Group Debt Facility Maturity Profile as at 30 June 2021



Source: ALE Group

Annexure A: Independent Expert's Report



The financial covenants relating to ALE Group's AMTNs, bank debt and hedging facilities and ALE Group's actual performance with respect to each of these covenants, are set out as follows.

ALE Group Financial Covenants

Financial metric	Covenant	Performance			
		30 June 2018	30 June 2019	30 June 2020	30 June 2021
Interest Cover Ratio ¹	Greater than or equal to 1.5x	2.6x	2.5x	2.6x	3.4x
Gearing ²	Less than or equal to 60% (distribution stopper)	41.6%	41.5%	41.3%	36.4%
	Less than or equal to 65% (default)				

Source: ALE Group

Notes:

1. Calculated as ALE Direct Property Trust EBITDA divided by ALE Direct Property Trust interest expense.
2. Calculated as total borrowings less cash as a percentage of total assets less cash, deferred tax assets and derivatives for bond issuing entity, ALE Direct Property Trust.

ALE Group's interest cover ratio and gearing were within covenants in all periods presented.

As at 30 June 2021, gearing of 36.4% was at a historic low as proceeds from divestments were used to repay borrowings.

The bank loans are subject to change of control provisions and the AMTNs expiring in August 2022 are subject to 'no adverse impact' clauses. There are no change of control provisions for the CIBs and AMTNs expiring in August 2024.

Derivative financial instruments

ALE is exposed to interest rate risk on its variable rate borrowings. It hedges all of this risk (98% in FY21) using interest rate derivative contracts. The net value of derivatives as at 30 June 2021 was \$29.0 million (\$29.1 million at 30 September 2021).

7.7 Capital structure and ownership

ALE has 200,456,815 ALE Securities on issue, comprised of stapled shares in ALE and units in ALE Trust. As at 1 October 2021, ALE Group had 4,993 registered securityholders not including 376 holders of unmarketable parcels. The top 20 registered securityholders accounted for 66% of securities on issue. Retail investors (holdings of less than 10,000 securities) accounted for 71% of holders and 6% of securities on issue.

ALE has received notices from the following substantial securityholders:

ALE Group Substantial Securityholders

Substantial securityholder	Date of notice	Number of securities	Percentage
Caledonia	16 September 2020	66,496,413	33.6%
Endeavour Group and its related bodies corporate	1 July 2021	17,845,446	8.9%
UBS Group AG at its related bodies corporate	24 June 2021	16,146,007	8.1%

Source: ASX announcements

Caledonia holds a 33.6% direct interest in ALE Group over which it has voting rights and a 7.6% interest through cash settled swaps which do not provide voting rights. UBS Group AG's 8.1% interest also includes the cash settled swaps.

ALE operates an Executive Stapled Securities Scheme (**ESSS**) under which ESSS Rights are granted to key management. It is proposed that up to 33,731 ESSS Rights will be issued to Mr Guy Farrands subject to ALE Securityholder approval at the 2021 Annual General Meeting. Including these rights, ALE Group will have the following ESSS Rights on issue as at the date of the Scheme Meetings.



ALE ESSS Rights

Grant Date	Performance Period Start Date	Fair Value of Right at Grant Date	Approximate Delivery Date	Number Invested	Total
2-Mar-20	1-Jul-18	4.56	31-Jul-22	25,772	25,772
9-Feb-21	1-Jul-19	4.24	31-Jul-23	48,027	48,027
19-Sep-21	1-Jul-20	4.92	31-Jul-24	51,698	51,698
Total				125,497	125,497

Source: ALE Group

The ALE Board's current intention is that all unvested ESSS Rights will vest prior to the implementation of the Schemes and will result in the issue of new ALE Securities. Assuming ALE Securityholders approve the issue of the rights to Mr Guy Farrands at the Annual General Meeting, the diluted number of ALE Securities is 200,582,312.

ALE has 9,080,010 NIVUS on issue. In accordance with the Scheme Implementation Deed, ALE acting in its personal capacity will accept an offer from ALE acting in its capacity as responsible entity of ALE Trust to redeem all NIVUS on issue on the Implementation Date prior to the ALE Scheme Units being transferred to the Consortium Acquirer.

7.8 Security price performance

7.8.1 Recent security market trading

The trading price and volume of ALE Securities and NTA per security since 1 January 2019 are set out as follows.

ALE Group Trading Price, Volume and NTA per Security



Source: S&P Capital IQ and Kroll analysis

ALE Securities have traded at a substantial premium to NTA, likely reflecting:

- the potential for an uplift in property valuations as a result of the Determinations and as a result of the uncapped rent reviews in 2028, noting that the independent property valuers assessed the properties to be 36.5% under-rented at 6 September 2021;
- the approach taken by valuers that weights a Cap Rate methodology more highly than a DCF methodology and, therefore, does not explicitly capture the potential for rents to increase as a result of the uncapped rent reviews in 2028;

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- conservative capitalisation rates adopted by valuers when compared to yields implied by the divestment of the non-core, over-rented properties, particularly taking into account the higher quality and general under-renting of the core portfolio;
- value attributed to ALE Group's unique investment portfolio as a result of its long lease terms and conditions, the quality of the tenant covenant and the nature and diversification of the business operations within the venues (whereas NTA reflects the value of properties on a stand-alone basis); and
- long term value associated with the land, with mixed and alternate use opportunities. In several cases, assets have land values higher than as leased investments.

Movements in the ALE Security price largely reflect announcements in relation to the Determinations, property valuations and NTA per security and valuations across the sector. Movements in the ALE Security price also reflect purchase of blocks of securities and trading cum and ex distribution.

The ALE Security price increased throughout 2019 and to reach a high of \$5.77 on 9 January 2020, a 86.7% premium to NTA of \$3.09, potentially reflecting increases in valuations across the sector and anticipation of a positive outcome for the Determinations. This period also coincides with the purchase of large blocks of securities (e.g. by UBS on 30 April 2019 and Caledonia 20 November 2019).

Following the announcement on 3 September 2018 that ALH had accepted that rent on two properties should increase by 10%, ALE announced on 13 February 2019, that ALH had accepted a 10% increase on a further 32 properties and that the remaining 45 properties would be subject to Determination. The security price increased marginally. The security price declined by 2.3% following the announcement on 9 December 2019 of a delay in the remaining Determinations with respect to 43 properties until 3Q20.

From 21 February 2020 to 23 March 2020, the ALE Security price declined by 35.9% in response to the COVID-19 pandemic, reaching a low of \$3.32, a 7.4% premium to NTA of \$3.09.

The security price recovered strongly in June and July 2020, reaching a high of \$5.51 on 7 September 2020, an 84.9% premium to NTA of \$2.98. During this time, ALE announced a debt refinancing (27 April 2020) and redemption of its expiring AMTN facility (27 May 2020). It was also apparent that rental abatements and deferrals under the Code of Conduct did not apply to Endeavour Group and consequently, ALE Group continued to receive all rent on time, despite the impact of lockdowns on pubs.

The security price declined by 10.5% in the two days following the announcement on 14 September 2020 of the outcome of the Determinations that indicated the rent for the 43 remaining properties would remain substantially unchanged from the rent immediately preceding November 2018. The security price increased by 2.1% following the announcement on 19 October 2020 that ALE Group would challenge the rent review with respect to the 19 properties in Victoria.

The security price increased by 8.0% in the week following the announcement on 16 November 2020 of a 4.4% increase in property values from 30 June 2020 to 31 October 2020 and that the independent property valuers provided an opinion that the uncapped rent for the overall portfolio was approximately 33% higher than current passing rent.

The security price increased by 5.7% in the two days following the announcement of the 1H21 results on 10 February 2021, which indicated an 8.4% increase in NTA per security to \$3.24 and growth in rental income in excess of CPI as a result of the Determinations.

On 3 June 2021, ALE announced the sale of six non-core properties at a weighted average premium to book value of 24.2%. The security price remained steady following the announcement, possibly because the market was already pricing in higher values for the properties.

On 7 July 2021, ALE announced property revaluations as at 30 June 2021 resulted in a 10.6% increase in NTA relative to 31 December 2020 to \$3.85, the independent property valuers' assessment of under-renting had increased by 9.2% to 35.6% and court hearings for the Victorian Litigation were expected to begin on 19 July 2021. The security price increased 1.7% in the following two days.

On 30 July 2021, ALE announced that audit procedures identified an error in the calculation of NTA per security and the correct NTA at 30 June 2021 is \$3.71, 3.6% less than the \$3.85 announced on 7 July 2021. The security price declined marginally.

The security price increased by 5.0% in the two days following the announcement on 4 August 2021 of the FY21 results, which indicated 13.0% growth in distributable income as a result of the Determinations and lower interest expense and confirmed NTA per security of \$3.71.



In the three months prior to the announcement of the Proposal, ALE Securities traded in the range of \$4.58 to \$5.01, at a VWAP of \$4.79, which represents a 29.1% premium to NTA per security at 30 June 2021 of \$3.71, and closed at \$4.70. On the announcement on 20 September 2021 of the Proposal and an increase in NTA per security to \$4.11 as a result of the property valuations, the ALE Security price increased strongly and closed at \$5.68, then gradually drifted lower.

7.8.2 Relative security price performance

The performance of ALE Securities from 1 January 2019, relative to the S&P/ASX 200 Index (ASX 200 Index) and A-REIT 200 Index (rebased to 100) is illustrated as follows.

ALE Group Relative Security Price Performance



Source: S&P Capital IQ and Kroll analysis

From 21 February 2020 to 23 March 2020, the ALE Security price declined by 35.9% in response to the COVID-19 pandemic, a similar decline to the ASX 200 (which declined by 36.3%) and substantially outperformed the A-REIT 200 Index (which declined by 48.9%, reflecting the significant weighting of discretionary retail in the A-REIT 200 Index), indicating the portfolio's relative resilience.

The security price outperformed the A-REIT 200 Index from mid-May 2020 until late August 2020, potentially reflecting its resilience to the COVID-19 pandemic and successful refinancing, then underperformed in September 2020 as the Determination indicated no increase in rents. The security price then broadly tracked the A-REIT 200 Index until February 2021, then underperformed as the indices recovered.

From 2 January 2019 until 17 September 2021, the ALE Security price declined by 1.7% and total return was 9.2%. Potentially, this reflects the outcome of the Determinations and ALE Group's policy of paying distributions in excess of distributable income, which has a dilutionary impact on NTA per Security.

7.8.3 Liquidity

An analysis of the volume of trading in the ALE Securities, including the VWAP for various periods up to 17 September 2021 (the last trading day before the announcement of the Proposal) is set out as follows.

ALE Group Liquidity

Period	Price (\$)			Cumulative value (\$ million)	Cumulative volume (\$ million)	Percentage of issued capital
	Low	High	VWAP			
1 day	4.70	4.77	4.73	0.5	0.1	0.1%
1 week	4.70	4.83	4.76	1.2	0.2	0.1%
1 month	4.70	4.87	4.78	4.8	1.0	0.5%
3 months	4.58	5.01	4.79	18.6	3.9	1.9%
6 months	4.35	5.01	4.67	37.0	7.9	4.0%
12 months	4.26	5.09	4.55	85.1	18.7	9.3%

Source: S&P Capital IQ and Kroll analysis



In the 12 months to 17 September 2021, 9.3% of issued securities were traded (18.5% of free float⁴³). This level of trading indicates that trading in ALE Securities is illiquid.

8 Profile of CLW

8.1 Background

CLW is an A-REIT listed on the ASX that invests in a diversified portfolio of long WALE property assets. It was formed in 2016 through the stapling of seven long WALE trusts, Charter Hall Direct Industrial Fund, Canning Vale Logistics Trust No. 1, 218 Bannister Road Trust, CPOF Kogarah Holding Trust, Franklin Street Property Trust, CHPT Dandenong Trust and LWR Finance Trust. CLW was listed on the ASX on 8 November 2016 at \$4.00. At the time, CLW's portfolio comprised a combination of wholly and partially owned properties that were valued at \$1.3 billion⁴⁴ and included a 45% interest in 54 pubs and liquor retail stores leased to ALH. This interest was later increased to 49.9%.

In September 2017, the stapled structure was simplified from seven to three trusts through the acquisition by Charter Hall Direct Industrial Fund of all of the securities in CHPT Dandenong Trust, CPOF Kogarah Holding Trust, 218 Bannister Road Trust and Canning Vale Logistics Trust No. 1. In August 2018, CLW was further simplified through the acquisition by Charter Hall Direct Industrial Fund of Franklin Street Property Trust.

CLW has grown substantially since listing, raising \$2.0 billion of equity⁴⁵ and \$1.8 billion of debt⁴⁶ and acquiring \$3.7 billion of property assets.⁴⁷ As at 30 June 2021, the property portfolio was valued at \$5.6 billion.⁴⁸ It had a market capitalisation of approximately \$3.2 billion as at 26 October 2021.⁴⁹

Strategy

CLW's strategy is focused on providing investors with stable, secure income and targeting income and capital growth through exposure to long WALE properties. CLW is actively managed to achieve its investment objective and aims to:

- grow its portfolio through direct and indirect investments across multiple real estate sectors;
- focus on assets that are predominantly leased to tenants with strong covenants on long term leases;
- diversify its portfolio across multiple real estate sectors, geographies and tenants;
- maintain a conservative capital structure;
- target the distribution of 100% of OEPS; and
- supplement its growth through pro-actively managing lease duration and tenant relationships.

In addition, CLW aims to minimise development risk, with a focus on sustainable income returns.

8.2 Operating structure

CLW is a stapled entity comprising two Australian registered schemes, Charter Hall Direct Industrial Fund and its controlled entities and LWR Finance Trust and its controlled entities. Units in Charter Hall Direct Industrial Fund are stapled together with units in LWR Finance Trust and are traded on the ASX as a single security (**CLW:ASX**). CHWALE, a wholly owned member of the Charter Hall Group, is the responsible entity of the stapled trusts.

The operating structure of CLW is summarised as follows.

⁴³ Free float excludes Caledonia's 40.69% interest in ALE and Endeavour Group's 8.9% interest.

⁴⁴ Source: CLW Product Disclosure Statement.

⁴⁵ Source: CLW results presentations and ASX announcement on 1 July 2021. Includes Distribution Reinvestment Plan proceeds.

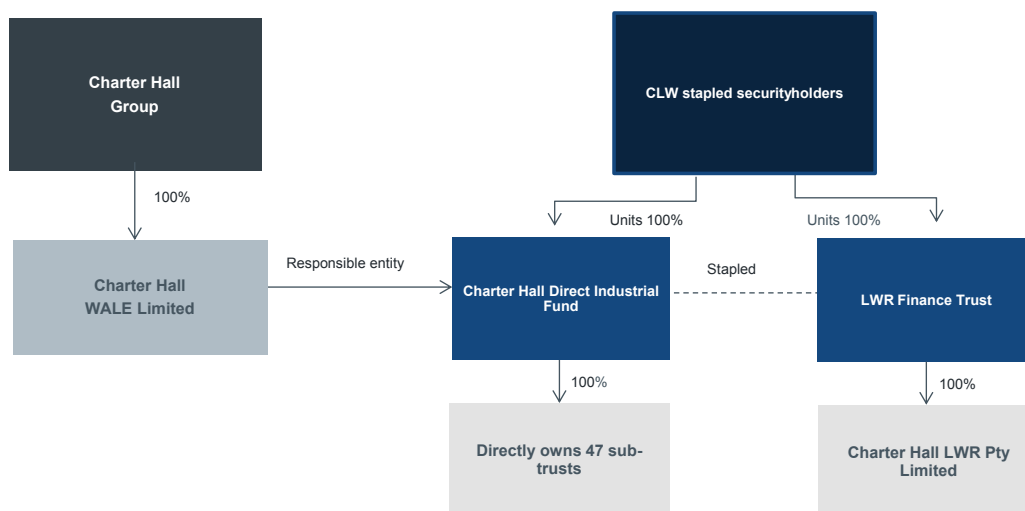
⁴⁶ Look through basis.

⁴⁷ Source: CLW financial reports.

⁴⁸ Adjusted to include the property acquisitions announced to the ASX on 1 July 2021 and the acquisition of Terrey Hills Tavern, NSW, that occurred post reporting date.

⁴⁹ Calculated as closing price on 26 October 2021 of \$4.97 multiplied by 634,236,723 securities.

CLW Operating Structure



Source: CLW

Charter Hall Group is a stable Australian investment manager with over 30 years of experience in property investment, development and asset management. It has \$52.3 million of funds under management and manages 1,388 properties across the office, retail, industrial and social infrastructure sectors.

8.3 Management Fees

The management fees payable to Charter Hall Group are set out as follows.

CLW Management Fees

Type of fee or cost	Method of fee calculation
Base management fee ¹	0.45% of average gross assets
Acquisition and disposals	1% of acquisition or disposal price
Property management	Up to 3% of gross property income
Accounting services	Cost recovery
Leasing fees	% gross average annual rent on a sliding fee scale
Project management fees	3% of the project value
Facility management fees	Annual charge per property
Other cost recoveries	Cost recovery

Source: CLW FY21 Annual Report

Other recurring expenses are estimated at 0.09% resulting in total recurring fees of 0.54%. These fees are below the low end of fees for comparable listed A-REITs (in the range of 0.60% to 1.34% and a median of 0.73%) and comparable unlisted wholesale A-REITs (in the range of 0.60% to 1.20% and a median of 0.83%) as set out in Appendix 5. Further, no performance fee is payable by CLW. There are a number of listed A-REITs for which performance fees are not payable although performance fees are typically payable for wholesale A-REITs based on performance relative to IRR.

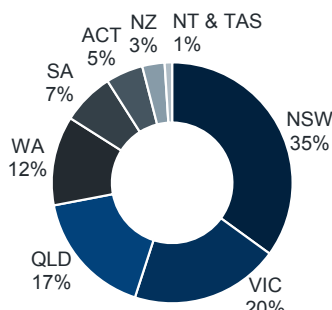
8.4 Investment property portfolio

As at 30 June 2021, CLW's \$5.6 billion investment property portfolio comprised 468 properties that had an average occupancy of 98.3%, WALE of 13.2 years and weighted average capitalisation rate (**WACR**) of 4.77%. The composition of CLW's investment property portfolio as at 30 June 2021 by sector and location (by value) is illustrated as follows.

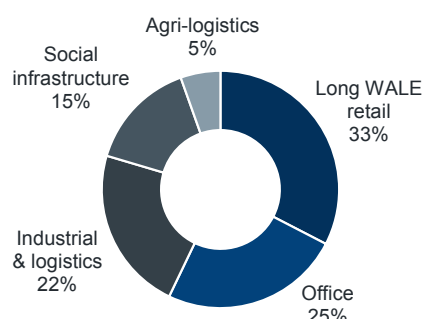
Annexure A: Independent Expert's Report



CLW Portfolio Composition by Location¹



CLW Portfolio Composition by Sector¹



Source: CLW FY21 Results Presentation

Note 1: As at 30 June 2021 (weighted by external valuation), adjusted to include the property acquisition announced to ASX on 1 July 2021 and the acquisition of Terrey Hills Tavern, NSW that occurred post reporting date.

The portfolio is diversified by sector and by geography. It is comprised of a mix of long WALE retail, office, industrial & logistics, social infrastructure and agri-logistics assets. Approximately 72% (excluding the Australian Capital Territory (**ACT**)) of the portfolio is located on the Eastern Seaboard of Australia.

CLW's portfolio as at 30 June 2021 is set out in Appendix 4 and summarised as follows.

CLW Portfolio Summary as at 30 June 2021¹

Sector	Number of assets	Valuation (\$ million)	Cap rate	WARR	WALE (years)	Occupancy	Percentage of total
Long WALE retail	365	1,812	4.91%	2.7%	15.3	100.0%	32.6%
Office	14	1,364	5.11%	3.4%	8.3	93.7%	24.5%
Industrial & logistics	23	1,249	4.57%	3.0%	12.9	100.0%	22.5%
Social infrastructure	39	833	4.07%	2.9%	14.4	100.0%	15.0%
Agri-logistics	27	302	5.21%	2.5%	22.3	100.0%	5.4%
Total/weighted average	468	5,560	4.77%	3.0%	13.2	98.3%	100.0%

Source: CLW FY21 Results Presentation

Note 1: As at 30 June 2021, adjusted to include the property acquisitions announced to the ASX on 1 July 2021 and the acquisition of Terrey Hills Tavern, NSW that occurred post reporting date.

8.4.1 Long WALE retail

CLW's \$1.8 billion long WALE retail portfolio accounts for approximately one third of its overall portfolio by value. It consists of 365 properties that mainly include 62 pubs and retail liquor outlets leased to Endeavour Group (30% of value), 295 convenience retail and service station properties in Australia and New Zealand leased to bp (36%), Myer and David Jones department stores (22%) and four Bunnings stores (9%).

CLW holds a 49.9% interest in the Long WALE Investment Partnership (**LWIP**), which owns 100% of the assets that are leased to Endeavour Group under triple net leases. The leases have a remaining term of 13.2 years and rent increases annually by CPI. The properties are geographically diversified throughout Australia.

CLW holds 50% interests in Charter Hall Australian Convenience Retail Trust (**bp Aus**) and CH Dartmouth NZ Wholesale Fund (**bp NZ**), which own 49% interests in the bp portfolio in Australia and New Zealand, respectively. The properties are leased to A- rated bp under triple net leases and have a WALE of 18.4 years (Australia) and 19.5 years (New Zealand). The portfolio comprises 295 convenience retail and service station properties that are geographically diversified throughout Australia and New Zealand.

8.4.2 Office

CLW's \$1.4 billion office portfolio accounts for approximately 25% of CLW's overall portfolio by value and consists of 14 A grade metropolitan and CBD office properties. CLW's office tenants include various Federal and State government offices, ASX listed companies (Telstra and Westpac) and a large multinational (Thales), each of which is rated between AAA to A-.

8.4.3 Industrial & logistics

CLW's \$1.2 billion industrial portfolio accounts for approximately 22% of overall portfolio by value. It comprises 23 properties with a total gross lettable area of approximately 555,000 square metres (on a 100% ownership basis). The portfolio includes a mix of assets that are geographically diversified, including Woolworths, Coles, Metcash and Linfox distribution centres, 11 SUEZ waste management facilities, Arnott's primary manufacturing plant and distribution centre (a 30.5 year WALE) in Huntingwood, NSW, Australia Post in Kingsgrove, NSW and the Commonwealth Government National Archives in Chester Hill, NSW.

8.4.4 Social infrastructure

CLW's \$833 million social infrastructure portfolio accounts for 15% of CLW's portfolio by value. It mainly includes 36 National Telco Exchange properties (48% of value) and the Pitt Street Telco Exchange, Sydney (35%), that are leased to A- rated Telstra under triple net leases. The leases have a WALE of 19.1 years and 9.5 years, respectively. The National Telco Exchange portfolio has relatively high underlying land values as the properties are primarily located in national CBDs and has a total building area of approximately 347,000 square metres. The remaining two properties are Australian Red Cross, Alexandria, NSW (10%) and Brisbane City Council Bus Network Terminal, QLD (7%).

8.4.5 Agri-logistics

CLW's \$302 million agri-logistics portfolio accounts for 5% of CLW's portfolio by value. It comprises 100% interests in 27 properties that are leased to a subsidiary of ASX listed Ingham's Group under triple net leases. The leases have a WALE of 22.3 years.

8.4.6 Acquisitions and divestments

In FY21, CLW acquired interests in 10 properties for a total consideration of \$1.1 billion, most notably the Telstra Exchange, Sydney, NSW, the bp New Zealand portfolio, David Jones, Sydney, NSW and Services Australia, Greenway, ACT.

CLW Acquisitions (\$ millions)

Property	Date	Price
Bunnings Palmerston, NT ¹	28/09/2020	27.3
Parap Tavern, NT (49.9% interest) ²	13/10/2020	9.8
Telstra Exchange, Sydney NSW	18/12/2020	281.5
bp New Zealand Portfolio (50% interest) ³	22/12/2020	122.2
David Jones, Sydney NSW (50% interest) ⁴	12/03/2021	255.0
Ampol, Redbank Plains QLD	20/04/2021	25.4
Red Cross, Alexandria NSW (50% interest) ⁴	03/06/2021	79.5
Services Australia, Greenway ACT (50% interest) ⁴	03/06/2021	152.5
ATO, Albury NSW (50% interest) ⁴	03/06/2021	42.3
ATO, Box Hill VIC (50% interest) ⁴	03/06/2021	115.0
Total		1,110.4

Source: CLW FY21 annual report

1. Bunnings Palmerston was a fund through development, 100% preleased to Bunnings. The price represents capital expenditure paid during the year. Total value on completion was \$42.3 million with the initial \$15.0 million paid in November 2019 to acquire the land.
2. Acquired by the underlying property trust which holds the asset.
3. 50% interest in a Charter Hall managed partnership which acquired a 49% interest in a portfolio of 70 long WALE, triple net leased convenience retail properties in NZ via a sale and leaseback transaction with bp.
4. This asset is held as tenants in common arrangement with a related party.

In FY21, CLW divested its 5% interest in Waypoint, REIT and a minor property for a total of \$102.2 million, with the proceeds used to partially repay the syndicated debt facility.

As announced to the ASX on 1 July 2021, post 30 June 2021, CLW acquired a 33.3% interest in Myer Bourke Street, Melbourne, VIC for \$135.2 million, Bunnings, Baldvis, WA for \$49.0 million, Simon Transport, Carole Park, QLD for \$83.1 million and the Endeavour Group-leased Terrey Hills Tavern, Sydney for \$13.1 million (reflecting CLW's 49.9% interest).

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Recently on 20 September 2021 and 24 September 2021, CLW also announced the acquisition of three industrial properties, Cleanaway & ResourceCo Facility, Sydney, NSW for \$34.6 million, Modern Star Distribution Centre, Brisbane, QLD for \$32.2 million and Toyota Distribution Centre, Larapinta, QLD for \$21.0 million.

CLW Divestments (\$ millions)

Property	Date	Price
Waypoint REIT (5% interest) ¹	28/07/2020	101.6
Suez, Bairnsdale, VIC	15/01/2021	0.6
Total		102.2

Source: CLW FY21 annual report

8.4.7 Developments

The strategy of CLW is to minimise development risk, with a focus on sustainable income returns. Currently, CLW has committed \$27.8 million to fund the development of a new Bunnings in Caboolture, Queensland. Development completion for the project is scheduled for FY23.

8.4.8 Key Portfolio Statistics

A summary of the key statistics of the Australian portfolio is presented as follows.

CLW Key Portfolio Statistics

	As at 30 June			
	2018	2019	2020	2021 ¹
Number of properties	81	118	386	468
Value (\$ million)	1,525.2	2,133.3	3,630.0	5,560.0
WACR	6.13%	5.95%	5.42%	4.77%
WALE (years)	10.8	12.5	14.0	13.2
Occupancy	100.0%	99.6%	99.8%	98.3%
WARR	2.9%	2.8%	2.2%	3.0% ²

Source: CLW results presentations for FY21 and FY19

Notes:

- As at 30 June 2021, adjusted to include the property acquisitions announced to ASX on 1 July 2021 and the acquisition of Terrey Hills Tavern, NSW that occurred post reporting date.
- CPI is assumed at 2.6% over the forecast period. The REIT's CPI review all occur in the first half of the forecast period.

Changes in portfolio statistics from 30 June 2018 to 30 June 2021 reflect both changes in the portfolio mix as a result of the acquisition of 387 properties as well as changes in underlying statistics for existing properties. From 30 June 2018 to 30 June 2021:

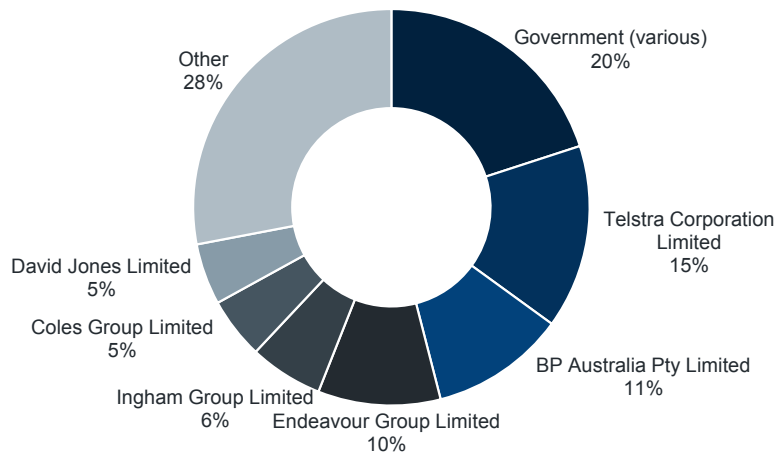
- growth in the value of the portfolio reflects \$3.3 billion in net property acquisitions and \$0.7 billion of net valuation increases (look through basis);
- in FY21, valuations increased across all sectors, with the greatest contribution coming from long WALE retail (a 12.9% uplift) and industrial & logistics (14.6% uplift), mainly as a result of strong WACR compression, reflecting the essential nature of the retail (fuel & convenience, retail liquor outlets) and logistics portfolios during the COVID-19 pandemic;
- overall WACR compressed significantly from 6.13% to 4.77%, reflecting the compression in yields for A-REITs and bonds generally and the defensive nature of the portfolio during the COVID-19 pandemic;
- the sector portfolios each have 100% occupancy except for the office sector portfolio. Overall occupancy declined from 99.8% to 98.3% throughout FY21 as a result of vacancy at 56 Edmondstone Road, Bowen Hills, QLD. The property was formerly the Virgin Australia headquarters and was vacated in September 2020 following the airline's voluntary administration. In July 2021, CHWALE, on behalf of CLW, signed a lease agreement with Fujifilm for a portion of the property;
- WALE increased from 10.8 years to 13.2 years as a result of WALE enhancing transactions and lease extensions with existing tenants; and

- WARR has been resilient despite the COVID-19 pandemic, with a majority of leases being subject to fixed increases.

8.4.9 Tenant profile

CLW has a strong and stable tenant base comprised of government, ASX-listed and multinational companies.

CLW Major Tenants

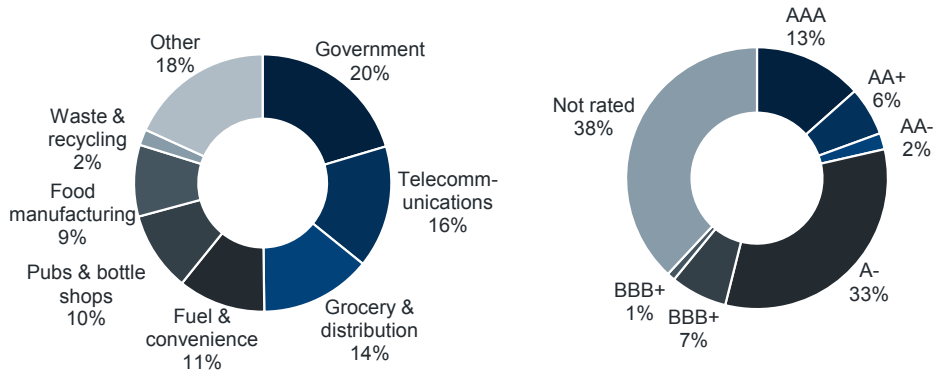


Source: CLW FY21 results presentation

Tenants are predominantly investment grade rated. The highest rated tenants are the Federal Government (AAA), state governments (AA+), Westpac (AA-) and Australia Post (AA-). In addition, CLW’s tenants are focused on key defensive industries illustrated as follows.

CLW Tenant Sector

CLW Tenant Credit Rating



Source: CLW results presentation as at 30 June 2021. Not rated tenants include David Jones, Myer, Endeavour Group, Arnott’s Group, Linfox, Ingham’s, Metcash, Australian Red Cross, Brisbane City Council.

Approximately 48% of the assets by value are subject to triple net leases, resulting in minimal capital expenditure required. In addition, 60% of leases are subject to fixed increases (of 3.1% in FY21) and 40% of leases are linked to CPI.

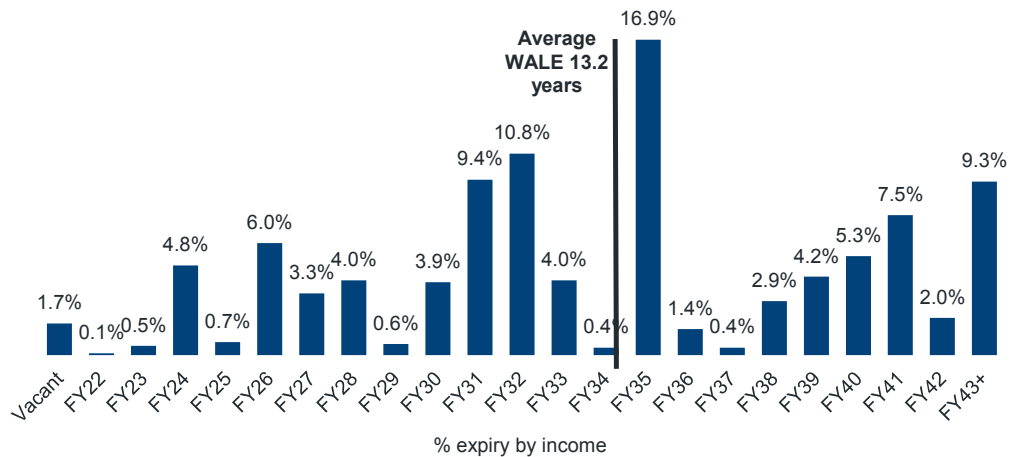
8.4.10 Lease expiry profile

As at 30 June 2021, CLW had a long WALE of 13.2 years with staggered expiry dates, illustrated as follows.

Annexure A: Independent Expert's Report



ALE Lease Expiry (by Income) as at 30 June 2021¹



Source: CLW results presentation as at 30 June 2021

Note 1: Weighted by net passing income as at 30 June 2021, adjusted to include the property acquisitions announced to ASX on 1 July 2021 and the acquisition of Terrey Hills Tavern, NSW that occurred post reporting date.

8.4.11 Environment, social and corporate governance

CLW's portfolio has been awarded an A rating in public disclosure by GRESB. Its office portfolio has been awarded a 3 Star Green Star Performance rating and the industrial portfolio has been awarded a 2 Star Green Star Performance Rating.

8.5 Financial performance

8.5.1 Historical financial performance

CLW's financial performance for FY18 to FY21 on a proportionately consolidated basis⁵⁰ is summarised as follows.

CLW financial performance (\$ millions)

	FY18 Audited	FY19 Audited	FY20 Audited	FY21 Audited
Proportionate consolidation basis				
Property income	90.6	108.3	173.7	221.7
Distribution income	-	-	2.9	-
Interest income	0.2	0.3	0.5	0.2
Total income	90.8	108.6	177.1	221.9
Fund management fees	(6.6)	(7.6)	(13.9)	(18.7)
Administration and other expenses	(2.5)	(2.5)	(3.2)	(3.4)
Finance costs	(23.3)	(27.7)	(38.1)	(40.8)
Operating earnings	58.4	70.8	121.9	159.0
Net fair value movements on investment properties ¹	24.3	31.0	39.3	454.4
Net fair value movements on derivative financial instruments ¹	(1.9)	(20.2)	(21.4)	5.3
Net fair value movements on investments at fair value through profit and loss	0.3	0.1	(2.3)	0.2
Straightlining of rental income, amortisation of lease fees and incentives ¹	4.0	6.3	4.3	4.6
Acquisition and disposal related costs	-	(16.8)	(17.6)	(1.8)
Loss on debt extinguishment	-	-	-	(1.3)
Income support and development rebate	(1.8)	(1.7)	(1.7)	(1.8)
Debt extinguishment and amortisation of borrowing costs	-	-	-	-
Performance and disposal fees	-	-	-	-
Costs associated with Initial Public Offering	-	-	-	-
Loss on early settlement of derivative financial instruments	-	-	-	-
Provision for rent relief	-	-	(0.1)	(0.3) ²
Foreign exchange gains	-	-	-	0.3
Net profit attributable to CLW stapled securityholders	83.3	69.6	122.4	618.3
Statistics				
Property income growth	52.7%	19.5%	60.5%	27.6%
Operating earnings growth	52.4%	21.3%	72.1%	30.5%
Operating profit margin	64.5%	65.4%	70.1%	71.7%
Interest cover ³	5.3x	2.4x	8.6x	22.5x

Source: CLW annual report

Notes:

- Includes the REIT's proportionate share of non-operating items of equity accounted investments on a look through basis.
- Rent free incentives relating to COVID-19 expected to be agreed after balance date.
- Calculated as EBITDA divided by interest expense.

In relation to the financial performance for CLW from FY18 to F21, we note:

- CLW achieved strong growth in property income each year (a CAGR of 34.8%) mainly as a result of acquisitions (which delivered net property income of \$16.5 million in FY19, \$53.0 million in FY20 and \$41.8 million in FY21) as well as like-for-like rental growth of 2.6% in FY19 and FY20 and 2.4% in FY21;
- operating expenses increased each year as a result of acquisitions (transaction fees are 1% of acquisition or disposal price) and portfolio growth (base management fees are 0.45% of average gross assets);

⁵⁰ CLW's share of revenue and expenses from equity accounted joint ventures are combined line by line with similar items.

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- finance costs increased in each period as acquisitions were partially debt funded (\$1.4 billion);
- as a result of acquisition related strong property income growth and moderate growth in administration and other expenses and finance costs, operating earnings increased by a CAGR of 39.6%; and
- overall, net profit increased by a CAGR of 95.0% as a result of the acquisition driven growth in operating earnings and \$524.7 million fair value gains on investment properties (including a \$454 million gain in FY21).

8.5.2 Distributions

Operating earnings and distributions paid by CLW from FY18 to FY21 are set out in the following table.

CLW Distributions

	FY18 Audited	FY19 Audited	FY20 Audited	FY21 Audited
Weighted average number of CLW Securities (million)	221.0	263.1	430.0	544.5
OEPS	26.4¢	26.9¢	28.3¢	29.2¢
Distribution per CLW Security	26.4¢	26.9¢	28.3¢	29.2¢
Payout ratio ¹	100%	100%	100%	100%

Source: CLW Results Presentations for FY18 to FY21

Note:

1. Calculated as distribution per LW Security divided by OEPS.

Most of the 39.6% growth in operating profit from FY18 to FY21 relates to acquisitions, a substantial component of which was funded by equity raisings. In addition, equity was raised at discounts to recent trading in the range of 2.9% to 4.3%. As a result, OEPS only increased by a CAGR of 3.4% (at a significantly lower rate than operating earnings growth).

Under current Australian income tax legislation, Charter Hall Direct Industrial Fund is not liable for income tax provided its income for the year, as determined under its constitution, is fully distributed to securityholders, by way of cash or reinvestment. In each period presented, CLW distributed 100% of operating earnings.

8.5.3 Outlook

On 1 July 2021, CLW upgraded earnings guidance for FY22 to include the impact of debt funded acquisitions. This guidance was reaffirmed on release of the FY21 financial results on 9 August 2021. On CLW's announcement of the Proposal on 20 September 2021, it reconfirmed its FY22 OEPS guidance, including the impact of the transaction. Based on information currently available and barring any unforeseen events or further COVID-19 impacts, CLW provided FY22 Operating EPS guidance of growth of no less than 4.5% relative to FY21 Operating EPS of 29.2 cents.

8.6 Financial position

CLW's financial position as at 30 June 2018, 2019, 2020 and 2021 is summarised as follows.

CLW Financial Position (\$ millions)

	As at 30 June			
	2018 Audited	2019 Audited	2020 Audited	2021 Audited
Cash and cash equivalents	5.5	6.4	38.4	77.0
Receivables	4.7	9.2	20.3	17.1
Derivative financial instruments	-	-	-	3.8
Other assets	0.6	3.1	0.9	15.4
Investment property held for sale	38.7	-	-	-
Total current assets	49.5	18.7	59.6	113.2
Investment properties	855.6	1,328.4	1,852.6	3,092.9
Investments accounted for using the equity method	474.1	551.1	1,067.2	1,473.4
Investment in financial asset at fair value	15.7	6.9	107.1	4.8
Derivative financial instruments	0.1	-	-	3.1
Total non-current assets	1,345.5	1,886.3	3,026.9	4,574.2
Total assets	1,395.0	1,905.1	3,086.5	4,687.4
Payables	5.9	12.2	8.6	17.7
Distribution payable	15.8	22.9	35.2	46.5
Derivative financial instruments	-	8.1	-	0.2
Other liabilities	2.7	2.0	6.7	7.0
Total current liabilities	24.4	45.2	50.6	71.4
Borrowings	428.1	525.0	829.9	1,335.2
Derivative financial instruments	2.2	13.4	20.1	1.7
Total non-current liabilities	430.3	538.4	850.0	1,336.9
Total liabilities	454.7	583.6	900.6	1,408.3
Equity attributable to CLW stapled securityholders	940.3	1,321.4	2,185.9	3,279.1
Statistics				
<i>Number of stapled securities at period end (million)</i>	232.2	323.0	489.1	628.2
<i>NTA per stapled security</i>	\$4.05	\$4.09	\$4.47	\$5.22
<i>Balance sheet gearing¹</i>	30.6%	27.5%	24.2% ³	31.4% ⁴
<i>Look through gearing²</i>	37.2%	34.3%	37.8% ³	39.7% ⁴

Source: CLW Annual Results and Financial Statements for FY21, FY19 and FY18; Kroll analysis

Notes:

1. Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets less cash.
2. Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash, based on the non-IFRS pro forma proportionately consolidated statement of financial position, which adjusts for the REIT's share of the debt, assets and cash held in equity accounted investments.
3. As at 30 June 2020, adjusted for the committed acquisition of Bunnings Palmerston and divestment of the A-REIT's 5% interest in Waypoint.
4. As at 30 June 2021, adjusted to include the property acquisitions announced to the ASX on 1 July 2021 and the acquisition of Terry Hills Tavern and distribution reinvestment proceeds with respect to the June 2021 quarter.

In relation to the financial position of CLW as at 30 June 2021, we note:

- CLW's property portfolio assets of \$4,571.1 million comprises \$3,092.9 million of properties that are consolidated, \$1,473.4 million of investments in joint ventures that are equity accounted and \$4.8 million of investments in financial assets at fair value (comprising the income support account which can be drawn from prior to the expiry of the lease to compensate CLW for potential reductions in income or unforeseen costs). Each investment property is valued by an independent external valuer at least once every 12 months. As at 30 June 2021, external valuations were conducted for 100% of the portfolio, including joint ventures. Development properties are generally capitalised to carrying value until development is complete;

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- equity-accounted investments comprise CLW's investments in joint venture entities and associates as follows:

CLW Equity Accounted Investments (millions)

Equity accounted investment (ownership interest %)	Underlying property (ownership interest %)	Book value
Perth RDC Trust (49.9%)	Coles, Perth, WA (100%)	162.8
LWIP (49.9)	ALH (National Portfolio) (100%)	343.0
CH DC Fund (26.0%)	Woolworths, Dandenong VIC (100%)	82.4
Kogarah Trust (50.1%)	Westpac, Kogarah NSW (100%)	123.3
CH BBD Trust (50.0%)	Bisbane Bus Depot, Brisbane QLD (100%)	35.3
Charter Hall Exchange Wholesale Trust (50%)	Telstra Portfolio (National Portfolio) (49%)	212.1
CH 242 Exhibition Street Holding Trust (15%)	242 Exhibition St, Melbourne VIC (100%)	68.7
Charter Hall Australian Convenience Retail Trust (50%)	bp Portfolio (National Portfolio) (49%)	279.7
CH Dartmouth NZ Wholesale Fund (50%)	bp NZ Portfolio (NZ Portfolio) (49%)	166.1
Total		1,473.4

Source: CLW Financial Statements and results presentation for FY21

- the final distribution for FY21 was provided for and was paid to CLW Securityholders on 13 August 2021;
- CLW had \$14.7 million of capital commitments and had committed \$27.8 million to fund the development of the recently acquired Bunnings, Caboolture, QLD; and
- NTA per security increased by 16.8% to \$5.22 at 30 June 2021, reflecting a 12.1% valuation uplift across the portfolio and the impact of financial leverage.

8.6.1 Interest bearing liabilities

As at 30 June 2021, CLW had \$77.0 million cash and \$1,340.8 million drawn debt, which can be reconciled to the balance sheet as follows.

CLW Balance Sheet Financing Facilities as at 30 June 2021 (\$ millions)

	Facility limit	Drawn	Undrawn	Maturity
A\$MTN (7, 8.5 and 10 year tranches) ¹	700.3	700.3	-	Mar 28 to Mar 31
Bank debt	980.0	640.5	339.5	Apr 25, Jul 26, Mar 25, Mar 26, Mar 26, Dec 25
Interest bearing liabilities	1,680.3	1,340.8	339.5	
Less: capitalised borrowing costs		(5.7)		
Balance sheet debt		1,335.2		
Less: cash		(77.0)		
Net borrowings		1,258.2		

Source: CLW Financial Statements and results presentation for FY21

Note:

- Includes fair value hedge adjustment of \$0.3 million.

In addition, CLW has an exposure to \$682.7 million of drawn debt through interests in equity accounted joint ventures. On a look through basis,⁵¹ CLW had aggregate drawn debt of \$2,023.5 million and undrawn debt of \$367.0 million as at 30 June 2021.

⁵¹ Includes CLW's share of debt in equity accounted joint ventures.

CLW Look through Financing Facilities as at 30 June 2021 (\$ millions)

Debt facility	Facility			Maturity
	Limit	Drawn	Undrawn	
Balance sheet debt¹	1,680.3	1,340.8	339.5	
Joint venture debt (CLW Interest)				
LWIP debt facility	97.3	87.0	10.3	Dec-23
LWIP USPP	99.8	99.8	-	May-27
Bus Network Terminal Facility Debt	25.6	25.6	-	May-24
Telco Exchanges debt facility	42.5	41.0	1.5	Sep-24
Telco Exchanges A\$MTN	150.0	150.0	-	Sep-30
242 debt facility	70.0	65.8	4.2	Aug-24
bp Australia Portfolio debt facility	225.0	213.5	11.5	Dec-24
Total joint venture debt	710.2	682.7	27.5	
Total look through debt	2,390.5	2,023.5	367.0	

Source: CLW Financial Statements and results presentation for FY21

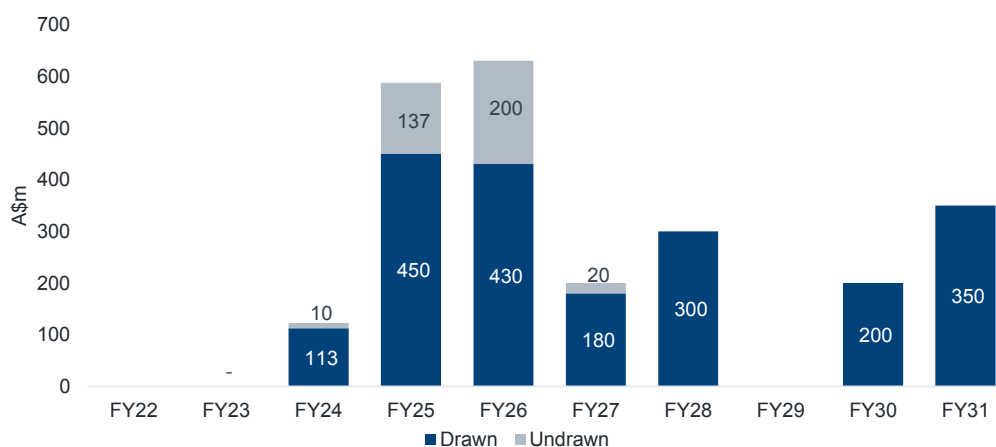
Note:

1. Includes fair value hedge adjustment of \$0.3 million.

CLW has been assigned a Baa1 investment grade rating by Moody's.

CLW maintains a diversified and well-balanced long-term debt maturity profile, having issued \$700.0 million medium term notes across 7, 8.5 and 10-year maturities at a weighted average all-in floating cost of 1.2% at issue in March and June 2021 and having extended the maturity of the syndicated bank facility by three years from March 2023 to March 2026 with a reduced margin. At 30 June 2021, the weighted average maturity on CLW's borrowings (look through basis) was 5.6 years, with staggered maturities over a seven year period from FY24 to FY31 as illustrated as follows.

CLW Debt Maturity Profile (Look Through Basis) as at 30 June 2021



Source: CLW FY21 Results Presentation

The financial covenants relating to CLW's debt facilities and CLW's performance with respect to each of these covenants, are set out as follows.



CLW Financial Covenants

Facility	Financial metric	Covenant	Performance	
			30 June 2020	30 June 2021
Balance sheet debt				
A\$MTN (7, 8.5 and 10 year tranches)	Gearing ¹	Less than 50%	39.5%	38.1%
Bank debt	Interest cover ²	Greater than 2.0x	4.5x	4.7x
Joint venture debt				
LWIP	LVR ³	Less than 60%	42.1%	35.1%
Bus Network	LVR ³	Less than 60%	49.0%	42.0%
Telco Exchanges	LVR ³	Less than 67.5%	56.4%	47.5%
242 Exhibition	LVR ³	Less than 65%	51.3%	48.5%
bp Australia Portfolio	LVR ³	Less than 60%	46.2%	43.3%
LWIP	Interest cover ²	Greater than 1.5x	3.0x	3.3x
Bus Network	Interest cover ²	Greater than 1.6x	3.7x	4.3x
Telco Exchanges	Interest cover ²	Greater than 1.5x	3.1x	3.3x
242 Exhibition	Interest cover ²	Greater than 1.75x	3.5x	3.4x
bp Australia Portfolio	Interest cover ²	Greater than 1.75x	4.1x	4.2x

Source: CLW FY21 results presentation

Notes:

1. Calculated as total look through liabilities (net of cash and MTM of derivatives) divided by total look through tangible assets (net of cash and MTM of derivatives) as at 30 June 2021. Not adjusted for any transactions post reporting date.
2. Interest cover is calculated as look through EBITDA (adjusted for non-cash and non-recurring items) divided by look through interest expense
3. LVR is calculated as total look through liabilities (net of cash and mark-to-market of derivatives) divided by total look through tangible assets (net of cash and the mark-to-market of derivatives).

CLW's covenant look through gearing remains well below covenant levels and interest cover substantially exceeds covenants.

Including the impact of acquisitions post 30 June 2021, balance sheet gearing as at 30 June 2021 of 31.4% was within the target range of 25% to 35%. Look through gearing was 39.7%, with properties with higher levels of debt underpinned by triple net long-term leases to investment grade tenants operating in defensive sectors (i.e. bp, Telstra, Brisbane City Council). Loans within joint ventures are non-recourse to CLW.

Derivative financial instruments

CLW uses derivative financial instruments to hedge its exposure to interest rate risk and foreign exchange risk on distribution income from the bp New Zealand portfolio. As at 30 June 2021, 84% of CLW's direct and joint venture interest rate exposures were hedged. The net value of derivatives as at 30 June 2021 was an asset of \$5.0 million.

8.7 Capital structure

As at 29 July 2021, CLW had 628,215,732 securities⁵² on issue and 13,131 registered securityholders.⁵³ The top ten registered securityholders accounted for approximately 76% of securities on issue and were principally institutional nominees and custodian companies. Retail investors (holdings of less than 10,000 securities) accounted for 77% of securityholders although only 6% of securities on issue.

CLW has received notices from the following substantial securityholders.

⁵² Excludes non-marketable parcels of 7,611 securities.

⁵³ Excludes 407 holders of non-marketable parcels.

CLW Substantial Securityholders

Substantial securityholder	Date of notice	Number of securities	Percentage
BlackRock Group	7 January 2021	35,281,641	6.17%
Trust Company Limited as custodian for Bieson Pty Limited as trustee of the Charter Hall Co-Investment Trust	1 October 2021	71,787,540	11.32%
The Vanguard Group	30 October 2019	33,881,985	9.00%

Source: Substantial securityholder notices, ASX Limited

Note:

1. As at date of notice.

CLW has raised substantial equity from institutional and retail investors to fund acquisitions. CLW raised \$875 million in FY20 and \$652.0 million in FY21 predominantly through a combination of institutional placements, securities purchase plans and entitlement offers.

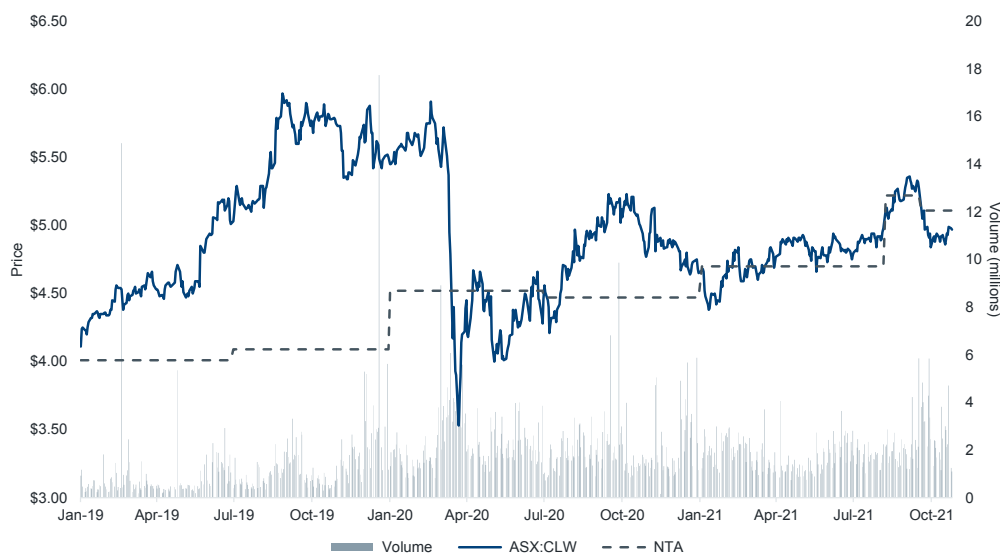
In addition, CLW operates a Distribution Reinvestment Plan under which securityholders may elect to have all or part of their distributions satisfied by the issuance of new securities rather than being paid cash. The Distribution Reinvestment Plan issue price is determined at a discount of 1.0% to the daily VWAP in the 10 business days commencing on the third business day following the distribution record date. In FY21, CLW raised \$25.7 million from the Distribution Reinvestment Plan. An additional \$11.4 million was raised from the Distribution Reinvestment Plan in relation to the final FY21 distribution.

8.8 Security price performance

8.8.1 Recent security market trading

The trading price and volume of CLW Securities and NTA per security from 1 January 2019 is set out as follows.

CLW Trading Price, Volume and NTA per Security



Source: S&P Capital IQ

The CLW Security price increased strongly from 1 January 2019 in line with the positive re-rating of diversified A-REIT sector and growth in NTA per security to reach a high of \$6.02 on 2 September 2019. It peaked again at \$5.91 on 6 December 2019 following the announcement on 5 December that CLW would be included in the FTSE-EPRA-RAREIT Index effective 20 December 2019 and again at \$5.97 on 20 February 2020 following the announcement on 10 February 2020 of the 1H20 results, which indicated NTA

Annexure A: Independent Expert's Report



increased by 10.5% to \$4.52 per security. Consistent with the A-REIT industry in general, CLW traded at a substantial premium to NTA at this time, potentially reflecting an expectation of further valuation increases.

The CLW Security price declined steeply in March 2020 on heavy trading amid investor concerns regarding the potential impact of the COVID-19 pandemic before increasing to trade broadly around NTA per security from April 2020 until the announcement of the Proposal, other than a period from late July 2020 until January 2021 when the CLW Security price traded above NTA, potentially reflecting an expectation as to property valuation uplifts.

The following key events occurred:

1. **29 March 2020:** the Prime Minister announced the National Cabinet broad principles to provide relief to tenants during lockdown
2. **7 April 2020:** the National Cabinet's Mandatory Code of Conduct was released
3. **1 May 2020:** the CLW Security price declined by 11.0% in the two days from 1 May 2020 following announcements by a number of A-REITs of the adverse impact of COVID-19 pandemic related lockdowns and/or the Code of Conduct on their operations, in particular, specialty retail⁵⁴
4. **11 May 2020:** the security price increased by 4.2% following announcement that the valuations for jointly held properties across a range of sectors remained steady
5. **18 May 2020:** CLW corrected speculation that an equity raising was imminent. The security price increased by 8.9% in the following week
6. **9 July 2020:** In the two weeks from 9 July 2020, the security price increased by 11.3%. During this time, CLW announced on 16 July 2020 a number of new relationships with triple net rent tenants and developments
7. **7 August 2020:** release of the FY20 financial results, which indicated NTA per security increased by 9.3% to \$4.47. The CLW Security price increased by 5.1%
8. **10 September 2020:** announcement of the acquisition of the bp NZ portfolio and an equity raising at \$4.87 per security, a 3.2% discount to the last closing price. The CLW Security price closed 1.6% lower on 11 September 2020 before increasing by 5.6% over the following three days
9. **8 February 2021:** the security price remained flat following the announcement of the 1H21 financial results which indicated a 5.1% increase in NTA to \$4.70 at 30 June 2020
10. **10 February 2021:** announcement that CLW had been assigned a Moody's Baa1 credit rating with a stable outlook. The security price increased by 5.7% in the following two days
11. **1 July 2021:** management reaffirmed FY21 Operating EPS guidance of 29.2 cents per security and upgraded FY22 Operating EPS guidance to growth of no less than 4.5% as a result of acquisitions
12. **9 August 2021:** release of FY21 results which indicated an 11.1% increase in NTA to \$5.22 per security. The security price increased by 3.0% in the following two days

In the three months to 17 September 2021 (the last trading day prior to the announcement of the Proposal), CLW Securities traded in the range of \$4.67 to \$5.38, at a VWAP of \$5.04 and closed at \$5.28.

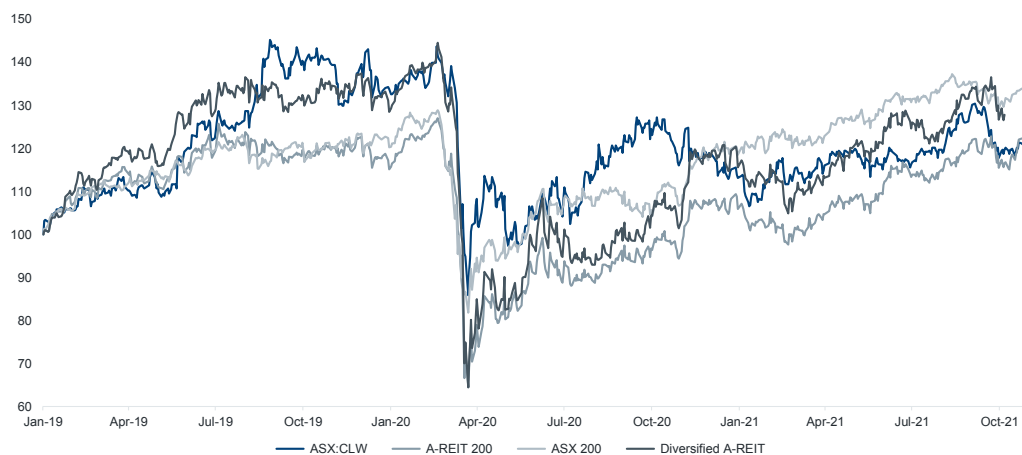
8.8.2 Relative security price performance

CLW is a member of a number of indices, including the S&P/ASX 200 Index (**ASX 200 Index**) (0.1% weighting), A-REIT 200 Index (1.9%) and S&P/ASX 200 Diversified A-REIT 200 Index (**Diversified A-REIT 200 Index**) (5.9%). The performance of CLW Securities from 1 January 2019, relative to the ASX 200 Index and A-REIT Index (rebased to 100) is illustrated as follows.

⁵⁴ For example, the March Quarter Operational Updates from GPT Group and Vicinity Centres on 30 April 2020 and 6 May 2020, respectively, that indicated the impact of the lockdowns and Code of Conduct on the businesses and the 30 April 2020 (Australian time) announcement from Unibail-Rodamco-Westfield of the impact of COVID-19 lockdowns on their retail operations.



CLW Relative Security Price Performance



Source: S&P Capital IQ; Kroll analysis

The CLW Security price broadly tracked the Diversified A-REIT 200 Index from January 2019 until March 2020, outperforming the A-REIT 200 index and ASX 200 Index.

The CLW Security price and the indices declined steeply in response to the COVID-19 pandemic although CLW was more resilient than the A-REIT indices, declining by 39.0% from 21 February 2020 to 23 March 2020, compared with the A-REIT 200 Index (48.9%) and Diversified A-REIT 200 Index (55.0%)

The CLW Security price outperformed the indices from late March to mid-April 2020 and again from July to October 2020 as NTA per security increased then underperformed until early November 2020. From then until 17 September 2021 (the last trading day before the announcement of the Proposal), the CLW Security price broadly tracked the Diversified A-REIT 200 Index.

Overall, from 2 January 2019 until 17 September 2021, the Diversified A-REIT Index increased by 34.6% while the CLW Security price increased by 28.5%, however, the total return of CLW Securities and the Diversified A-REIT Index were very similar (50.3% and 50.9%, respectively).

8.8.3 Liquidity

An analysis of the volume of trading in the CLW Securities, including the VWAP for various periods up to 17 September 2021 (the last trading day before the announcement of the Proposal), is set out as follows.

CLW Liquidity

Period	Price (\$)			Cumulative value	Cumulative volume	Percentage of issued
	Low	High	VWAP			
1 day	5.28	5.35	5.29	31.0	5.9	0.9%
1 week	5.22	5.35	5.29	72.3	13.7	2.2%
1 month	5.10	5.38	5.26	259.2	49.3	7.8%
3 months	4.67	5.38	5.04	671.2	133.2	21.2%
6 months	4.57	5.38	4.95	1,125.4	227.4	37.3%
12 months	4.33	5.38	4.87	2,370.1	486.5	85.0%

Source: S&P Capital IQ; Kroll analysis

Notes:

1. Last trading day prior to the announcement of the Proposal.

In the 12 months to 17 September 2021, 85.0% of CLW Securities were traded. This level of trading indicates that there is an active market for CLW Securities.



9 Profile of the Merged Group

9.1 Overview

The Merged Group will be an externally managed A-REIT with a \$6.5 billion investment portfolio comprising diversified, long WALE properties.

If the Schemes are implemented, ALE Securityholders will initially own 11.4% of the Merged Group.⁵⁵ To the extent that ALE Securityholders receive new CLW Securities, they will gain exposure to the investment characteristics of the Merged Group, including:

- increased scale and diversification of the Merged Group;
- a longer WALE and staggered lease expiry profile with reduced risk associated with the uncapped rent reviews in 2028 and a greater share of fixed rental increases, although lower share of triple net leases;
- improved liquidity and access to capital markets without the overhang of a major securityholder;
- potential to realise benefits from cost synergies;
- significant accretion in OEPS, distribution and NTA per security as a result of synergies and the substantial premium offered under the Proposal;
- higher gearing although lower funding costs for the Merged Group as a result of its higher credit rating. CHWALE has advised that it plans to refinance a majority of ALE Group's debt;
- greater flexibility to pursue strategy;
- a stable Australian investment manager with over 30 years of experience in property investment, development and asset management;
- competitive fee structure; and
- changes in risk profile;

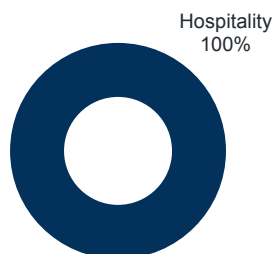
Summarised in the following sections are key investment characteristics of the Merged Group and the associated change in the investment characteristics from the perspective of ALE Securityholders. Sections 9 and 10 of the Scheme Booklet contain further information regarding the profile, financial information and risks of the Merged Group.

9.2 Scale and diversification of investment portfolio

Relative to ALE Group, the investment portfolio of the Merged Group will be substantially larger (a combined portfolio value of \$6.5 billion) compared to \$1.3 billion for ALE Group and will have greater diversification by sector, geography and tenants. The portfolio will include a mix of pubs, convenience retail, long WALE retail, office, industrial & logistics, social infrastructure and agri-logistics.

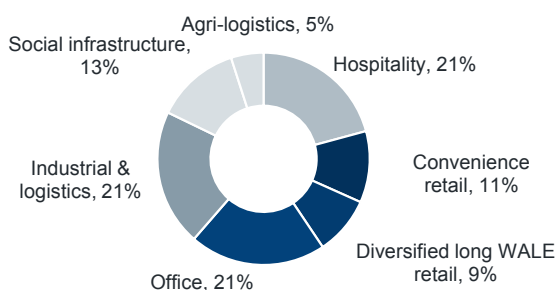
⁵⁵ Calculated as the Available Scrip Consideration of 81.8 million CLW Securities divided by number of CLW Securities on issue post transaction, being the sum of the 634.2 million CLW Securities on issue as at 30 June 2021, 3.6 million new CLW Securities issued as consideration for acquisitions that occurred post 30 June 2021, 2.4 million new CLW Securities issued as part of the Distribution Reinvestment Plan and 81.8 million securities issued to ALE Securityholders.

ALE Group Portfolio Composition by Sector



Source: ALE Group

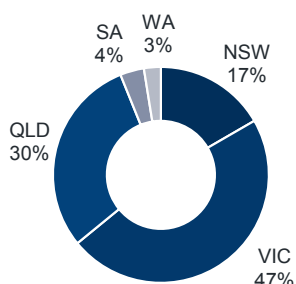
Merged Group Portfolio Composition by Sector



Source: CLW Presentation, 20 September 2021

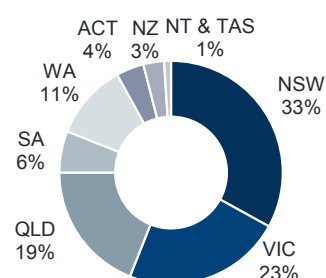
The Merged Group will also be more geographically diversified, whilst maintaining a strong presence on the Eastern Seaboard (75%, excluding ACT). It will have an increased weighting to NSW, WA, South Australia (SA), ACT, New Zealand (NZ) and NT & Tasmania (TAS) and a reduced weighting towards VIC and QLD.

ALE Group Portfolio by Geography



Source: ALE Group

Merged Group Portfolio by Geography



Source: CLW presentation, 20 September 2021 (by book value)

The characteristics of the portfolio are summarised as follows:

Merged Group Portfolio Summary

	ALE	Merged Entity
Number of properties	78	550
Value	\$1.3 billion	\$6.5 billion
WACR	4.33%	4.75%
WALE	7.1 years	12.6 years
WARR	2.2%	2.9%
Occupancy	100.0%	98.4%

Source: CLW Presentation, 20 September 2021

Relative to ALE Group, the Merged Group's portfolio will have lower occupancy and a higher WACR, although it will have a higher WARR and a significantly longer WALE.

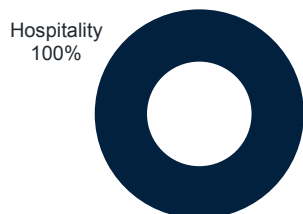
9.3 Tenant profile

The Merged Group's exposure to any particular asset or tenant within the portfolio will be reduced, reducing the risk to earnings of any single tenancy. The increased size of the portfolio and tenant diversification is also expected to provide the Merged Group with an increased ability to manage tenant demands, vacancy and leasing. Relative to ALE Group, the Merged Group will have a significantly more diversified tenant base.

Annexure A: Independent Expert's Report

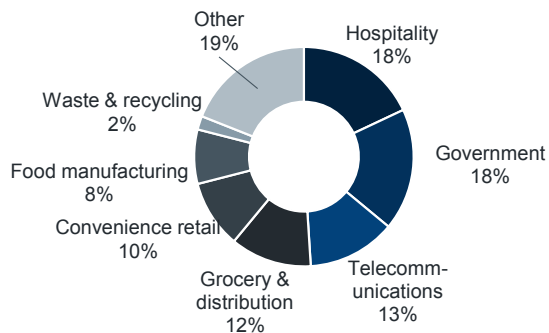


ALE Group Tenant Sector



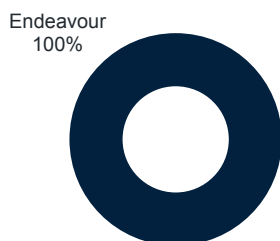
Source: ALE Group

Merged Group Tenant Sector



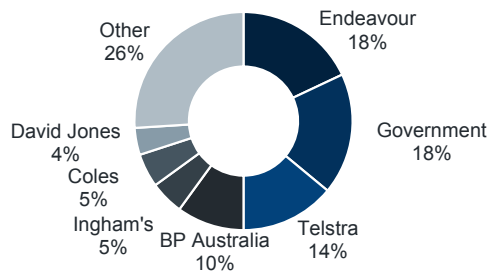
Source: CLW Presentation, 20 September 2021

ALE Group Major Tenants



Source: ALE Group

Merged Group Major Tenants

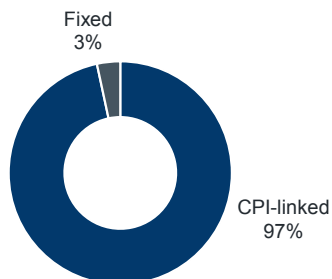


Source: CLW Presentation, 20 September 2021

9.4 Lease terms

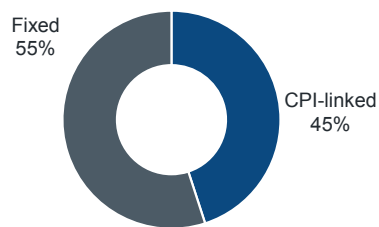
Compared to ALE Group, the Merged Group will have a greater share of fixed rental increases and a lower share of triple net leases.

ALE Group Annual Rent by Income



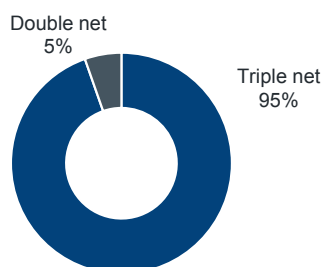
Source: ALE Group

Merged Group Annual Rent by Income



Source: CLW Presentation, 20 September 2021

ALE Group Lease Structure Type by Income



Source: ALE Group

Merged Group Lease Structure Type by Income



Source: CLW Presentation, 20 September 2021

9.5 Liquidity and share market rating

The Merged Group will have greater relevance to equity investors through increased scale relative to ALE Group. Based on a market capitalisation of \$3.6 billion,⁵⁶ the Merged Group will be the 9th largest A-REIT and a top-200 entity on the ASX.⁵⁷

Presently, CLW Securities are highly liquid whereas ALE Securities are illiquid. Furthermore, the larger market capitalisation of the Merged Group will result in increased market weighting within market indices and is expected to result in an increased daily trading volume for the Merged Group in comparison to ALE Group (and CLW). ALE Securityholders will initially hold an 11.4%⁵⁸ interest in the Merged Group, increasing the free float of the Merged Group and potentially allowing ALE Securityholders to exit with a reduced impact on CLW Security price.

ALE's register is impacted by Caledonia which holds a 33.6% voting interest in ALE Securities which in certain circumstances has the effect of constraining ALE Group's ability to implement capital management strategies. Their voting interest may create an overhang in ALE Securities as it represents a blocking stake in any potential transaction. The Merged Group by comparison will have a more diversified shareholder base, with no securityholder having more than 10.0% of the Merged Group.⁵⁹

CLW is a transparent entity that is broadly covered by brokers whereas ALE Group is less transparent (in terms of the limited broker coverage, process by which rents are determined, outcome of the New Determinations and potential outcome of the uncapped rent reviews in 2028).

9.6 Synergies

A key benefit of the Schemes is the potential to realise cost synergies. It is estimated that the Merged Group could save all of ALE's \$6.7 million ongoing operating expenses other than those relating to the CIBs. It also expects to generate savings in interest expenses through the refinancing of all of ALE Group's borrowings other than the CIBs.

9.7 Transaction costs

The forecast financial OEPS and distribution per security for the Merged Group exclude CLW's assumed \$23.9 million in transaction costs in relation to the Schemes. CLW's transaction costs are, however, included in NTA for the Merged Group.

⁵⁶ Based on the number of CLW Securities to be on issue if the Schemes are implemented at the CLW closing price on 26 October 2021 of \$4.97.

⁵⁷ Excludes Unibail-Rodamco-Westfield SE.

⁵⁸ Calculated as the Available Scrip Consideration of 81.8 million CLW Securities divided by number of CLW Securities on issue post transaction, being the sum of the 634.2 million CLW Securities on issue as at 30 June 2021, 3.6 million new CLW Securities issued as consideration for acquisitions that occurred post 30 June 2021, 2.4 million new CLW Securities issued as part of the Distribution Reinvestment Plan and 81.8 million securities issued to ALE Securityholders.

⁵⁹ Calculated as Charter Hall Group's 71.8 million CLW Securities divided by the diluted number of securities in the Merged Group (716.1 million).



9.8 Accretion analysis

Based on Kroll's assessed value of CLW Securities in the range of \$4.90 to \$5.20 (Section 10 of this report), the forecast financial analysis for the Merged Group (including 2H22 earnings for ALE) (Section 9.6 of the Scheme Booklet) and pro forma financial position for the Merged Group (Section 9.5 of the Scheme Booklet), ALE Securityholders would experience a significant increase in OEPS, distribution per security and NTA per security as follows:

Merged Group Accretion Analysis

	ALE	Merged Group	ALE equivalent ¹	\$4.90 Absolute change	% Change	ALE equivalent ¹	\$5.20 Absolute change	% Change
Mixed Consideration								
FY22 OEPS ² per security	15.9¢	30.5¢	35.3¢	19.5¢	122.7%	34.0¢	18.1¢	114.4%
FY22 distribution per security	22.0¢	30.5¢	35.3¢	13.3¢	60.5%	34.0¢	12.0¢	54.5%
NTA per security at 30 June 2021 ³	\$4.11	\$5.11	\$5.91	\$1.81	43.9%	\$5.69	\$1.58	38.6%
Maximum Scrip Consideration								
FY22 OEPS ² per security	15.9¢	30.5¢	35.2¢	19.4¢	122.1%	35.2¢	19.4¢	122.1%
FY22 distribution per security	22.0¢	30.5¢	35.2¢	13.2¢	60.1%	35.2¢	13.2¢	60.1%
NTA per security at 30 June 2021 ³	\$4.11	\$5.11	\$5.90	\$1.79	43.6%	\$5.90	\$1.79	43.6%

Source: Scheme Booklet and Kroll analysis

Notes:

1. ALE equivalent under the Mixed Consideration is based on ALE Securityholders receiving between 1.10102 and 1.1426 CLW Securities for each ALE Security, calculated as the sum of the scrip component of the consideration of 0.0408 CLW Securities and the \$3.673 cash component of the consideration, reinvested in CLW Securities at a price in the range of \$4.90 and \$5.20 based on Kroll's range of values for CLW Securities. ALE Group equivalent under Maximum Scrip Consideration is based on ALE Securityholders receiving 1.1546 CLW Securities for every ALE Security.
2. OEPS is operating earnings per security.
3. NTA is pro forma.

On a per security basis:

- both OEPS and distributions per security increase significantly, reflecting the substantial premium offered under the Proposal and the operating cost and financing synergies that CHWALE expects to achieve. The increase in OEPS is greater than the increase in distributions as ALE Group currently pays distributions in excess of OEPS, whereas CLW has stated that if the Schemes are implemented, it intends to maintain the same distribution policy as it does currently (that is, to pay distributions in line with OEPS); and
- NTA also increases significantly, reflecting the net impact of the significant premium offered to ALE Securityholders relative to NTA less CLW's \$23.9 million transaction costs associated with the Schemes.

The extent of the accretion/dilution will depend on a number of factors, including:

- **the form of consideration elected:** the terms of the transaction are based on the CLW closing price on 30 July 2021, being the date of the indicative proposal, of \$4.92. Kroll has assessed a value for the CLW Securities in the range of \$4.90 to \$5.20 (refer to Section 10 of this report). Based on this range, the Mixed Consideration (which has a portion of cash) will result in slightly more accretion than the Maximum Scrip Consideration;⁶⁰
- **extent of any scale-back:** ALE Securityholders who elect the Maximum Scrip Consideration are subject to the scale-back such that they may receive a portion of their consideration in cash. Based on our assessed value range for CLW Securities, the impact of any scale-back on OEPS, distribution and NTA per ALE Security would be favourable (relative to the Maximum Scrip Consideration); and
- **movements in the CLW Security price:** the accretion analysis is based on our assessed value range for CLW Securities of \$4.90 to \$5.20. The actual impact on OEPS, distribution and NTA per

⁶⁰ This is because the cash component of the consideration is assumed to be used to purchase CLW Securities at a fixed exchange ratio which is based on a lower CLW Security price, resulting in more CLW Securities being purchased.



Security will vary with movements in the CLW Security price, which may be higher or lower than this range.

The above analysis only includes OEPS and distributions for ALE for 2H22, rather than for the full financial year. As a result, in future years, all else remaining equal, the OEPS and distribution per security in FY22 will be greater than presented.

9.9 Higher gearing although lower cost of debt

The gearing target for the Merged Group will be 25% to 35% (CLW's current gearing target). The Merged Group will have slightly lower balance sheet gearing (35.4% compared to ALE Group (36.4%) although significantly higher look-through gearing (42.5%) relative to ALE Group (36.4%). Balance sheet gearing will be slightly above the high end of the target range for the Merged Group. This may initially limit the Merged Group's ability to undertake debt funded acquisitions. However, it is expected that growth in property values over time will increase the debt covenant headroom and enable the Merged Group to deleverage over time.

Merged Group Balance Sheet Metrics

	ALE	Merged Group
Look through gearing	36.4%	42.5%
Balance sheet gearing	36.4%	35.4%
Target gearing	no target	25% to 35%
Credit rating (Moody's)	Baa2	Baa1

Source: ALE Group and CLW Presentation, 20 September 2021

As a result of its higher credit rating (Baa1), the Merged Group will have greater financial flexibility and access to a broader range of debt financing sources and tenor than is available to ALE Group on a stand-alone basis and is likely to have a lower weighted average cost of debt.

9.10 Investment strategy

ALE has been unable to pursue a growth strategy due to the difficulty of identifying potential transactions that would be IRR accretive and as result of Caledonia's 33.6% voting interest in ALE Group. The Merged Group's strategy will be materially the same as CLW's, being to provide investors with stable, secure income and targeting income and capital growth through exposure to long WALE properties. In addition, the strategy is to minimise development risk (refer to Section 8.1).

9.11 Stable investment manager and competitive fee structure

ALE is an internally managed A-REIT whereas CLW is externally managed by CHWALE, a wholly owned member of the Charter Hall Group. Charter Hall Group is a stable Australian investment manager with over 30 years of experience in property investment, development and asset management.

CLW's fee structure is set out in Section 8.3. CLW's total recurring fees of 0.54% are below the low end of fees for comparable listed A-REITs (in the range of 0.60% to 1.34% and a median of 0.73%) and comparable unlisted wholesale A-REITs (in the range of 0.60% to 1.20% and a median of 0.83%) as set out in Appendix 5. Further, no performance fee is payable by CLW. There are a number of listed A-REITs for which performance fees are not payable although performance fees are typically payable for wholesale A-REITs based on performance relative to IRR.

The absence of a performance fee may create an incentive for the manager to focus on growth (since base management fees are based on average gross assets and transaction fees are 1% of acquisition or disposal price) over total return. In this regard, we note that since listing, CLW has undertaken \$3.7 billion of acquisitions. From 2 January 2019 until 17 September 2021, the CLW Security price as increased by less than the Diversified A-REIT Index, however, their total returns are similar (50.3% and 50.9%, respectively). Over this period, the ALE Security price declined by 1.7% and total return was 9.2%. We note, however, that past performance is not necessarily an indication of future performance.

Comparison of Total Return

	ALE	CLW	Diversified A-REIT Index
Change in security price	(1.7%)	28.5%	34.6%
Total return	9.2%	50.3%	50.9%

Source: Capital IQ



9.12 Changes in risk profile for ALE Securityholders

The risk profile for ALE Securityholders will change, should they become CLW Securityholders in the Merged Group. A detailed discussion of the risks are set out in Section 10 of the Scheme Booklet. The key changes in the risk profile for ALE Securityholders who elect (or are deemed to elect) to receive for consideration of CLW Securities as part of their proposal consideration include:

- **tenant composition:** the Merged Group will be exposed to risks associated with CLW's wider portfolio which differs to that of ALE. It includes retail, office and industrial properties (among others) and has different lease structures and terms by comparison to ALE's single tenant;
- **geographic concentration:** the Merged Group will have a greater concentration in NSW at 33% and a broader presence nationally, excluding VIC and QLD. Although NSW market is expected to rebound significantly post lockdown restrictions, the performance of this market may deteriorate in future;
- **re-leasing risk:** the Merged Group having a greater number of tenants and will be exposed to different risks associated with re-leasing and vacancy. There will be less dependency on the outcome of the uncapped rent reviews in 2028 or changes in regulation associated with gaming licences;
- **co-ownership risk:** CLW holds a number of its portfolio interests through joint co-ownership, as is intended for ALE. The management of these structures holds greater complexity than under ALE's existing single ownership structure;
- **integration risks:** there is a risk that integration costs may be greater than anticipated, synergies are not fully realised or are realised after a longer delay than anticipated or that there is disruption to the business as a result of asset specific knowledge not being transitioned efficiently and effectively;
- **gearing:** the Merged Group will have a higher level of gearing relative to ALE Group's current level. However, it is expected that growth in property values over time will increase the debt covenant headroom and enable the Merged Group to deleverage over time; and
- **default provisions in borrowings:** whilst there are change of control provisions in ALE Group's bank debt and the AMTNs expiring in August 2022 are subject to 'no adverse impact' clauses, it is the intention of CLW to refinance the bank debt and all AMTNs. There are no change of control provisions in the CIBs.

10 Valuation of the Consideration

10.1 Summary

Under the Proposal, ALE Securityholders will have the option to receive for each ALE Security held on the Record Date:

- Mixed Consideration: \$3.673 cash and 0.4080 CLW Securities;
- Maximum Cash Consideration: \$5.681 cash, subject to any scale-back to ensure the total consideration to ALE Securityholders (including the ALE Group final FY21 distribution) will be 65% cash and 35% scrip; and
- Maximum Scrip Consideration: 1.1546 CLW Securities subject to any scale-back to ensure the total consideration to ALE Securityholders (including the ALE Group final FY21 distribution) will be 65% cash and 35% scrip.

We have attributed a value to the Mixed Consideration of \$5.67 to \$5.79 per ALE Security and a value to the Maximum Scrip Consideration of \$5.66 to \$6.00 per ALE Security based on a value range for CLW Securities (on a minority interest basis) of \$4.90 to \$5.20 as summarised as follows.



Value of the Consideration

	Mixed Consideration		Maximum Cash Consideration	Maximum Scrip Consideration	
	Low	High		Low	High
Value per CLW Security	\$4.90	\$5.20	-	\$4.90	\$5.20
Exchange ratio	0.4080	0.4080	-	1.1546	1.1546
Value of scrip component	\$2.00	\$2.12	-	\$5.66	\$6.00
Add: cash component	3.673	3.673	5.681	-	-
Value of consideration per ALE Security	\$5.67	\$5.79	\$5.68	\$5.66	\$6.00

Source: Kroll analysis

The range of value for the Mixed Consideration is relatively narrow as it is mainly comprised cash (65%) rather than scrip (35%). The mid-point of our value range for the Mixed Consideration and Scrip Consideration is higher than the Maximum Cash Consideration because the exchange ratios are based on a CLW Security price of \$4.92, which is the closing price on 30 July 2021, being the date of the indicative offer, which was before the FY21 results release on 9 August 2021 that indicated an 11.1% increase in NTA to \$5.22 per security.

The value of the Mixed Consideration and Maximum Scrip Consideration under the Proposal will vary with movements in the CLW Security price. Accordingly, until the CLW Securities are issued as a result of the Schemes, ALE Securityholders who elect to receive the Mixed Consideration or Maximum Scrip Consideration, or who elect to receive the Maximum Cash Consideration and are subject to the scale-back mechanism, are exposed to changes in overall equity market conditions and company specific events that may affect the CLW Security price. The following tables illustrate the sensitivity of the implied value of the Mixed Consideration and Maximum Scrip Consideration to changes in the CLW Security price.

Sensitivity of the Mixed Consideration to Changes in the CLW Security Price

CLW Security price	\$4.60	\$4.70	\$4.80	\$4.90	\$5.00	\$5.10	\$5.20	\$5.30	\$5.40	\$5.50
Exchange ratio	0.4080	0.4080	0.4080	0.4080	0.4080	0.4080	0.4080	0.4080	0.4080	0.4080
Cash component	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673	\$3.673
Mixed Consideration	\$5.55	\$5.59	\$5.63	\$5.67	\$5.71	\$5.75	\$5.79	\$5.84	\$5.88	\$5.92

Source: Kroll analysis

Sensitivity of the Maximum Scrip Consideration to Changes in the CLW Security Price

CLW Security price	\$4.60	\$4.70	\$4.80	\$4.90	\$5.00	\$5.10	\$5.20	\$5.30	\$5.40	\$5.50
Exchange ratio	1.1546	1.1546	1.1546	1.1546	1.1546	1.1546	1.1546	1.1546	1.1546	1.1546
Maximum Scrip Consideration	\$5.31	\$5.43	\$5.54	\$5.66	\$5.77	\$5.89	\$6.00	\$6.12	\$6.23	\$6.35

Source: Kroll analysis

ALE Securityholders who elect to receive the Maximum Cash Consideration will receive \$5.68 cash for each ALE Security (subject to any scale-back). As such, these securityholders will not be exposed to downward movements in the CLW Security price, however, they will not benefit from any increase in the CLW Security price above \$5.68.

10.2 Approach

The Mixed Consideration comprises both scrip and cash components while the Maximum Scrip Consideration comprises 100% scrip, with the scrip component in each instance being in the form of new CLW Securities. In determining our valuation range for the Mixed Consideration and Maximum Scrip Consideration, it is therefore necessary to estimate the trading price for CLW Securities after the Schemes are implemented (rather than a pre-bid price) as that represents the value at which ALE Securityholders can realise their interest post implementation of the Schemes.

Upon implementation of the Schemes, the scrip consideration received by ALE Securityholders will represent minority interests in CLW. In such circumstances, RG 111 requires the value of the scrip component of the consideration to be assessed on a minority interest basis. In a transaction with a scrip component it is common practice to utilise the post announcement market price as a basis for estimating the value of the scrip component. We consider this approach to be appropriate for determining our valuation range for the scrip component of the Mixed Consideration and Maximum Scrip Consideration due to the following:



- CLW is a liquid stock. It is an ASX 200 listed entity and a member of a number of indices, including the ASX 200 Index and A-REIT 200 Index. There is sufficient liquidity in the market for CLW Securities to suggest that recent performance and expectations are reflected in current trading prices;
- the trading price of CLW Securities reflects the value of portfolio interests and is commonly assumed to exclude a premium for control;
- the disclosure requirements associated with being publicly listed suggest that any information in relation to CLW's standalone business that would have a material impact on its security price should have been disclosed to the market;
- CLW is a transparent entity and is broadly followed by brokers. There has been sufficient time and information available for the market to assess the Schemes and their expected implications for CLW. Therefore, the current trading in CLW Securities should reflect the estimated impacts associated with the Schemes, albeit the market may also take into account the implementation risks associated with the Schemes; and
- an alternative approach is to undertake a fundamental valuation of the Merged Group and then to apply a discount to reflect a portfolio interest. However, we have not had access to non-public information for CLW (in particular, the independent property valuations on which the financial position is based) that would be required to support a fundamental analysis. In any event, the consensus view of a liquid market is likely to be a more reliable indication of value than a valuation undertaken by a single valuer.

In order to cross-check the valuation range derived from our analysis of trading in CLW Securities, we have:

- compared the forecast OEPS multiple, distribution yield and premium to NTA implied by our selected value range for CLW Securities to market evidence derived from listed A-REITs; and
- compared our selected value range for CLW Securities to brokers' target prices.

10.3 Analysis of trading in CLW Securities

In utilising the post announcement market price of CLW Securities as a basis for estimating the value of the Maximum Scrip Consideration and scrip component of the Mixed Consideration, we have considered the following:

- recent trading in CLW Securities following the announcement of the Proposal;
- the performance of CLW Securities relative to the market;
- the liquidity of CLW Securities;
- publicly available information in relation to CLW and the Proposal; and
- the impact on CLW of implementing the Schemes.

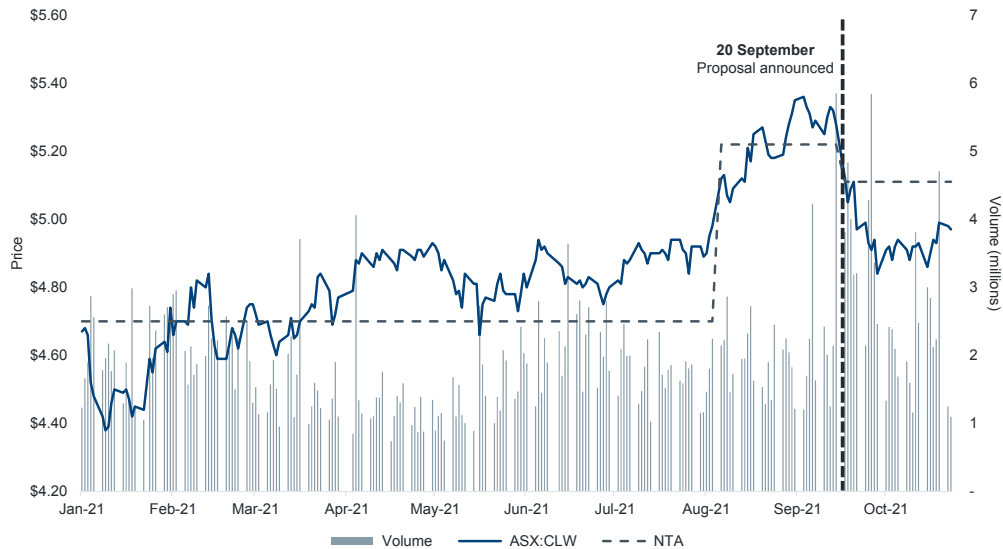
Our analysis of each of these factors is outlined in the following sections.

10.3.1 Recent trading in CLW Securities

Consistent with many listed A-REITs, CLW Securities have traded at around NTA since January 2021. The CLW Security price increased by 3.0% in the two days following the release on 9 August 2021 of the FY21 results, which indicated an 11.1% increase in NTA per security to \$5.22. In the month to 17 September 2021 (the last trading day prior to the announcement of the Proposal), CLW Securities traded in the range of \$5.10 to \$5.38, at a VWAP of \$5.26 and closed at \$5.28, a 1.1% premium to the reported NTA per security at 30 June 2021. From 17 September 2021 until 26 October 2021, the CLW security price declined by 5.9%.



Recent trading in CLW Securities

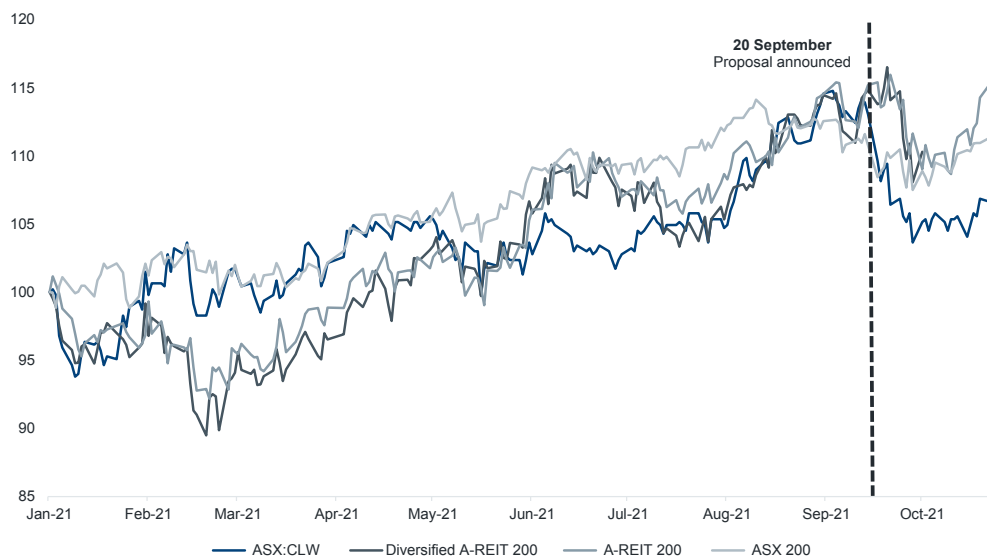


Source: Kroll analysis; S&P Capital IQ

10.3.2 Performance of CLW Securities relative to the market

The performance of CLW Securities since 1 January 2021 relative to the Diversified A-REIT 200 Index, A-REIT 200 Index and ASX 200 Index is illustrated as follows.

Relative Performance of CLW Securities since 1 January 2021



Source: Kroll analysis; S&P Capital IQ

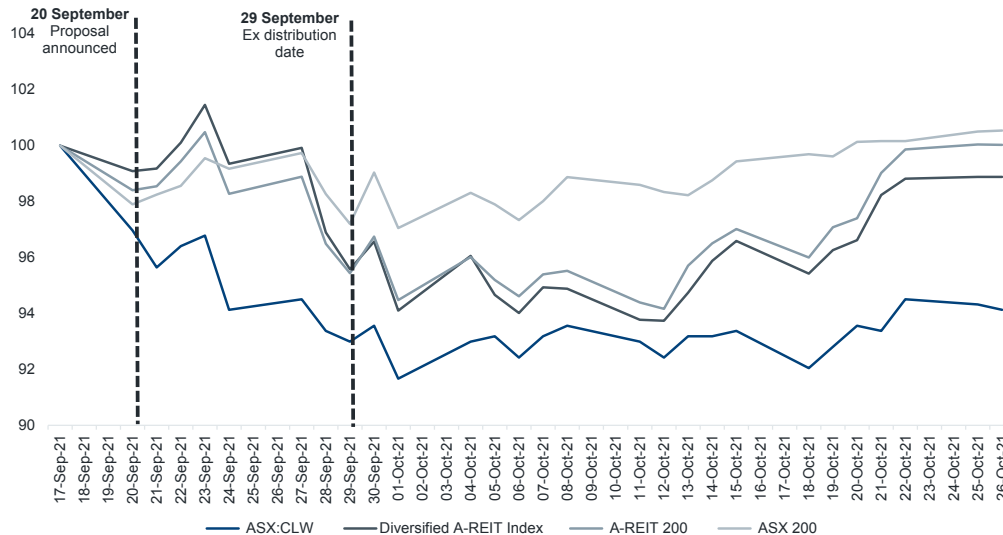
The CLW Security price broadly mirrored the indices since 1 January 2021, with periods of slight over or under performance. The CLW Security price outperformed the Diversified A-REIT 200 Index and A-REIT 200 Index from the announcement on 10 February 2021 that CLW had been assigned a Moody's Baa1 credit rating with a stable outlook, until March 2021. The CLW Security price underperformed the ASX 200 A-REIT Index until June 2021, before outperforming following the release on 9 August 2021 of the FY21 results which indicated an 11.1% increase in NTA to \$5.22 per security.

Annexure A: Independent Expert's Report



The performance of the CLW Security price relative to the indices from 17 September 2021 (the last trading day before the announcement of the Proposal) is illustrated as follows:

Relative Performance of CLW Securities since Announcement of Proposal



Source: Kroll analysis; S&P Capital IQ

From the announcement of the Proposal and 1Q22 distribution on 20 September 2021 until 24 September 2021, the CLW Security price underperformed the indices, then broadly tracked the indices, declining on 29 September (the ex-distribution date). From 17 September 2021 until 26 October 2021, the CLW Security price declined by 5.9%, the Diversified A-REIT 200 Index declined by 1.1%, the A-REIT 200 Index increased by 1.6% and the ASX 200 Index increased by 0.5%. This underperformance likely reflects that the market is expecting some dilution to NTA per security under the Schemes as a result of transaction costs.

10.3.3 CLW liquidity

CLW is a liquid stock. It is a member of major Australian sharemarket indices including the ASX 200 Index and the A-REIT 200 Index. Based on a market capitalisation of \$3.6 billion,⁶¹ the Merged Group will be the 9th largest A-REIT and a top-200 entity on the ASX.⁶²

An analysis of the volume of trading in CLW Securities for various periods from the announcement of the Proposal on 20 September 2021 until 26 October 2021 is summarised as follows.

CLW Liquidity

Period	Price (\$)			Cumulative value (\$ million)	Cumulative volume (\$ million)	Percentage of issued capital
	Low	High	VWAP			
Period to 26 October 2021						
1 week	4.87	5.04	4.96	62.5	12.6	2.0%
29 Sep 21 to 26 October 2021 (ex distribution)	4.79	5.04	4.92	250.5	51.0	8.0%
20 Sep 21 to 28 Sep 21 (cum distribution)	4.93	5.27	5.05	128.6	25.5	4.0%
20 Sep 21 to 26 October 2021	4.79	5.27	4.96	379.1	76.4	12.1%

Source: Capital IQ; Kroll analysis

In relation to trading volumes in CLW Securities, we note:

⁶¹ Based on the number of CLW Securities to be on issue if the Schemes are implemented at the CLW closing price on 26 October 2021 of \$4.97.

⁶² Excludes Unibail-Rodamco-Westfield SE.

- the percentage of CLW Securities traded during the 12 months to 17 September 2021 indicates that there is sufficient liquidity to suggest that recent performance and expectations are reflected in current trading prices (Section 8.8.3); and
- trading volume was higher in the period following the announcement the Proposal, however, this is to be expected as the market reacts to new information. In other periods, the trading volume remained broadly similar pre and post the announcement of the Proposal. Accordingly, there is nothing to indicate any specific abnormal trading in CLW Securities.

10.3.4 Publicly available information in relation to CLW and the Proposal

Under ASX Listing Rules, CHWALE is required to keep the market informed of events and developments in a timely manner as they occur. Once CHWALE becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, it must inform the market of that information.

On 1 July 2021, CHWALE upgraded CLW's earnings guidance for FY22 to include the impact of debt funded acquisitions. This guidance was reaffirmed on release of the FY21 financial results on 9 August 2021. Consequently, there is no reason to consider that any information relating to CLW's existing business that would have a material impact on its security price has not been publicly disclosed.

It also released a presentation to the market on 20 September 2021 outlining the profile of the Merged Group and reaffirmed distribution guidance for FY22 (including the impact of implementing the Schemes). Although CHWALE did not include disclosure regarding the impact of the Proposal on NTA per CLW Security, brokers have estimated that NTA dilution would be minimal as the acquired assets would be reflected at acquisition price on the CLW balance sheet. There has been sufficient time and information available for the market to assess the Proposal and its expected implications for CLW. As such, we consider it reasonable to assume that the current trading in CLW Securities reflects the estimated impacts of the Proposal. CLW is a relatively transparent entity that has traded broadly around book value and is broadly covered by brokers.

10.4 Impact of the Proposal on CLW

The profile of the Merged Group is set out in detail in Section 9 of this report and Sections 9.1 to 9.7 of the Scheme Booklet and is summarised as follows:

Impact of the Proposal on CLW

	CLW Pro Forma as at 30 June 2021	Merged Group
Portfolio statistics		
Number of properties	472	550
Property value	\$5.7 billion	\$6.5 billion
WACR	4.77%	4.75%
WALE	13.2 years	12.6 years
WARR	3.0%	2.9%
Occupancy	98.3%	98.4%
Lease structure		
Proportion of triple net leases	47%	51%
Portfolio review type weighting: CPI linked / fixed	39% / 61%	45% / 55%
FY21 earnings metrics		
Operating earnings per security	30.5¢	30.5¢
Distribution per security	30.5¢	30.5¢
Financial position as at 30 June 2021		
Total assets	\$5.1 billion	\$5.8 billion
Total liabilities	\$1.8 billion	\$2.2 billion
Net assets	\$3.3 billion	\$3.7 billion
Number of CLW Securities on issue (million)	634.2 million	716.1 million
NTA per CLW Security	\$5.17	\$5.11
Look through gearing	40.8%	42.5%
Balance sheet gearing	32.8%	35.4%

Source: Scheme Booklet and Kroll analysis

Annexure A: Independent Expert's Report



The Proposal has a material, but not transformative, impact in that it expands but does not fundamentally change CLW's operations. The Proposal increases CLW's exposure to triple net leases, CPI-linked rent increases and the hospitality sector. It provides a number of strategic benefits including:

- expands CLW's portfolio from \$5.7 billion to \$6.5 billion;
- moves CLW from the 11th largest to the 9th largest A-REIT
- increases the proportion of triple net leases;
- on a per security basis, results in no change in OEPS and DPS; and
- provides increased global relevance for debt and equity investors seeking exposure to long WALE Australian property.

On the other hand, the Proposal:

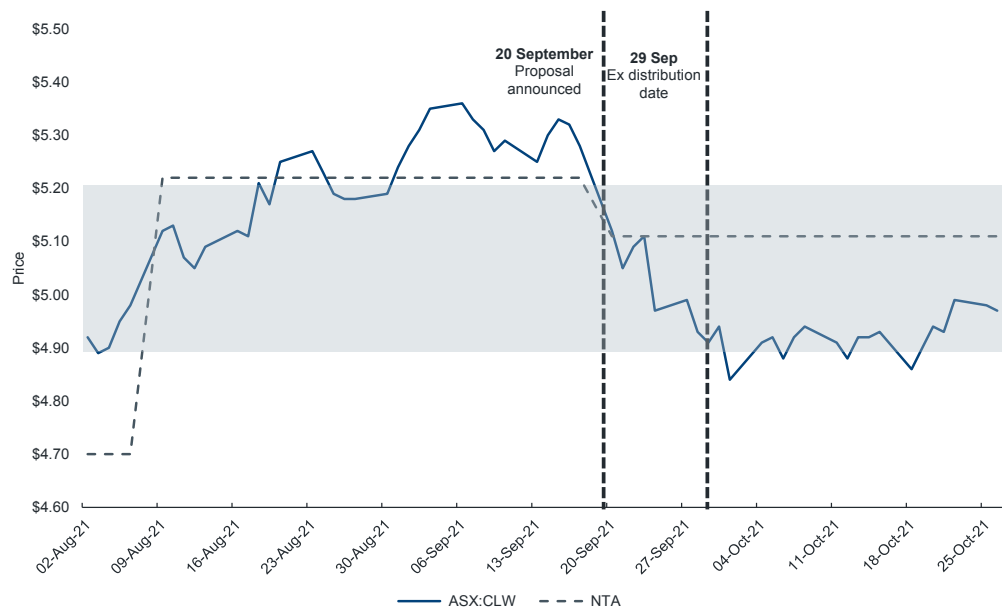
- slightly decreases WALE and WARR;
- results in a 1.2% dilution in NTA per CLW Security; and
- increases look through gearing to slightly above the high end of the target range.

10.5 Conclusion on value of a CLW Security

Kroll has assessed that a CLW Security price of \$4.90 to \$5.20 is an appropriate estimate in current market conditions. This range takes into account the recent performance of CLW Securities, the financial impact of the acquisition of ALE Group (including the pro-forma NTA per Security) and excludes the impact of the CLW 1Q21 distribution.

The selected value range relative to recent CLW Security prices and the pro-forma NTA is illustrated as follows:

CLW Selected Value Range per Security



Source: Kroll analysis; S&P Capital IQ

In Kroll's opinion, the value range of \$4.90 to \$5.20 is appropriate as it:

- reflects the range of trading prices since the announcement of the Proposal, in particular trading from the ex-distribution date of 29 September 2021 until 26 October 2021 of \$4.79 to \$5.04, at a VWAP of \$4.92; and



- straddles the pro forma NTA of \$5.11.

We note that while the CLW Security price has traded above and below this range, the value range captures the majority of trading in CLW Securities since the announcement of the Proposal (\$4.79 to \$5.27, at a VWAP of \$4.96). The high end of this range reflects that CLW Securities were trading cum distribution of 7.62 cents from 20 September 2021 until 28 September 2021, while the low end corresponds to a decline in the overall sharemarket. The CLW Security price is currently trading within the selected value range and closed at \$4.97 on 26 October 2021.

10.6 Valuation cross-check

10.6.1 Comparison to listed A-REITs

Overview

In order to cross-check our selected valuation range for CLW Securities, we have compared the implied valuation metrics (in terms of dividend yield, FFO multiple and NTA) to market evidence derived from various categories of listed A-REITs.

Merged Group implied multiples

The implied valuation metrics are presented as follows:

CLW implied multiples cross-check

	Parameter	Low	High
Value per CLW Security		\$4.90	\$5.20
FY22 distribution yield	30.6¢	6.2%	5.9%
FY22 OEPS multiple	30.6¢	16.0x	17.0x
Premium to pro forma NTA per security at 30 June 2021	\$5.11	(4.1%)	1.8%

Source: Kroll analysis

The implied multiples for the Merged Group are reasonable, taking account the implied multiples for A-REITs in the various sectors that CLW operates, since:

- in the current market, a diversified A-REIT could be expected to trade around NTA;
- the implied OEPS multiple is consistent with the median for the comparable companies; and
- the distribution yield is slightly higher than the median for the comparable companies, mainly reflecting its relatively high payout ratio (100%) compared with the median payout ratio for the peers (91% in FY22).

Market evidence

CLW is an externally managed A-REIT with limited development activities and no third party funds management. As such, A-REITs with significant third party funds management platforms and/or development pipelines (Charter Hall Group and Cromwell Property Group) have been excluded.

Relative to the other listed A-REITs, CLW's portfolio is resilient with a focus on convenience retail and a long WALE leases and is diversified by sector, geography and tenant. In comparing CLW to listed A-REITs, Kroll has excluded A-REITs with a significant exposure to discretionary retail and focused on those which have been relatively resilient to the COVID-19 pandemic.

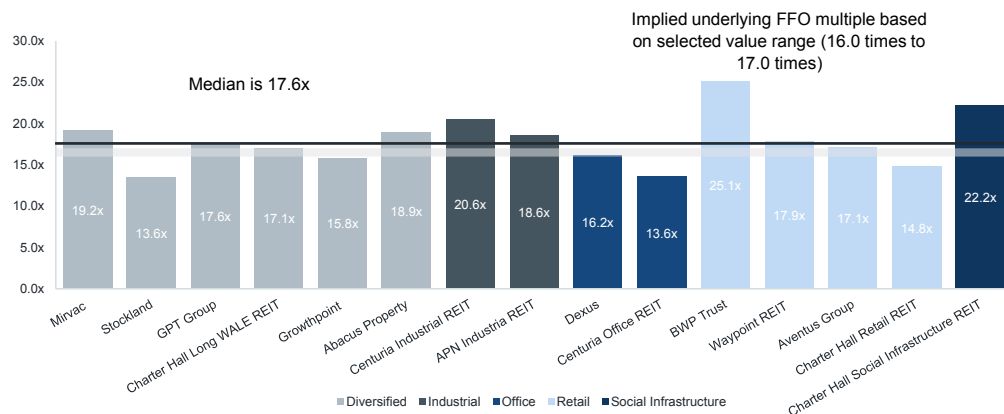
CLW has a diversified portfolio. If the Schemes are implemented, its investment portfolio will have an increased weighting towards hospitality of 21% with the remainder of the portfolio comprising of 20% retail, 21% office, 21% industrial & logistics, 13% social infrastructure and 5% agri-logistics.

Annexure A: Independent Expert's Report



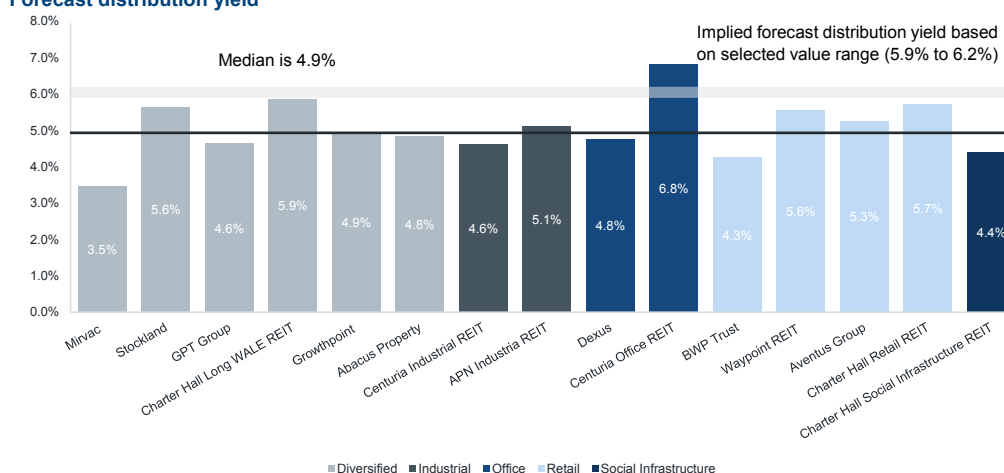
The valuation metrics implied by our selected valuation range for CLW Securities fall within the range observed for the various categories of listed A-REITs, are illustrated as follows:

Forecast OEPS multiple



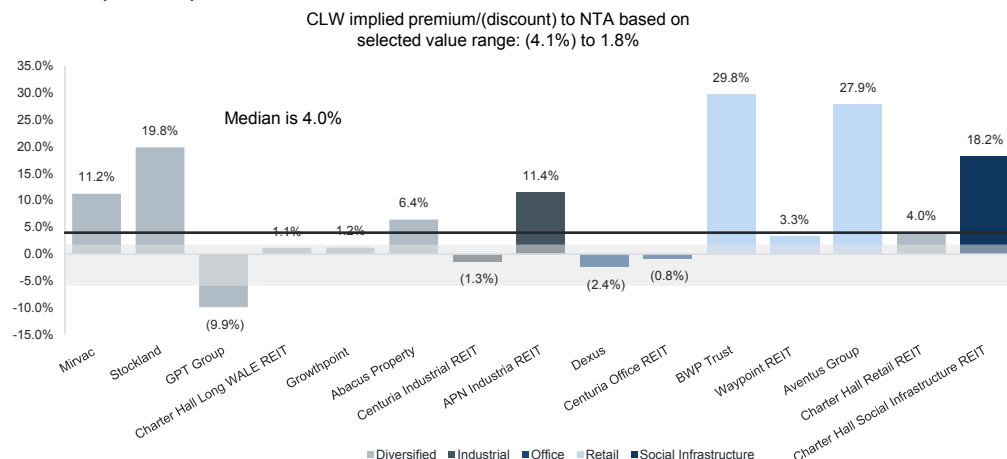
Source: Kroll analysis; S&P Capital IQ

Forecast distribution yield



Source: Kroll analysis; S&P Capital IQ

Premium/(discount) to NTA



Source: Kroll analysis; S&P Capital IQ

Note 1: CLW's premium to NTA is calculated based on NTA per security as at 30 June 2021 (\$5.22) and the security price as at 17 September 2021, the last trading day prior to the announcement of the Proposal. All other security prices are as at 26 October 2021.

In regard to the market evidence in these charts:

- **convenience and large format retail A-REITs:** have performed well during the COVID-19 pandemic. BWP Trust has mainly triple net leases (relative surety of tenant occupancy) to the growing Bunnings, Waypoint REIT, which has mainly triple net fuel and convenience leases, Aventus Group owns large format retail centres and Charter Hall Retail REIT which owns neighbourhood and sub-regional shopping centres. BWP Trust and Aventus Group are trading at significant premiums to NTA;
- **social infrastructure A-REITs:** Charter Hall Social Infrastructure REIT is trading at a significant premium to NTA, likely reflecting the attractiveness of this sector to investors and quality tenants;
- **industrial A-REITs:** include Centuria Industrial REIT and APN Industria REIT. The industrial property sector has proven to be resilient during the COVID-19 pandemic. APN Industria REIT is trading at a significant premium to NTA. Centuria Industrial REIT's discount to NTA may in part reflect its recent equity raising;
- **office A-REITs:** Dexus is trading at a slight discount to NTA. Despite its significant third party funds management activities and a substantial development pipeline, the CBD office sector is under pressure; and
- **diversified A-REITs:** Mirvac and Stockland are trading at significant premiums to NTA, potentially reflecting their exposure to the residential property market and substantial development pipelines, whereas GPT (which has an exposure to discretionary retail) is trading at a significant discount to NTA. Growthpoint and Abacus are trading broadly in line with NTA.

Conclusion

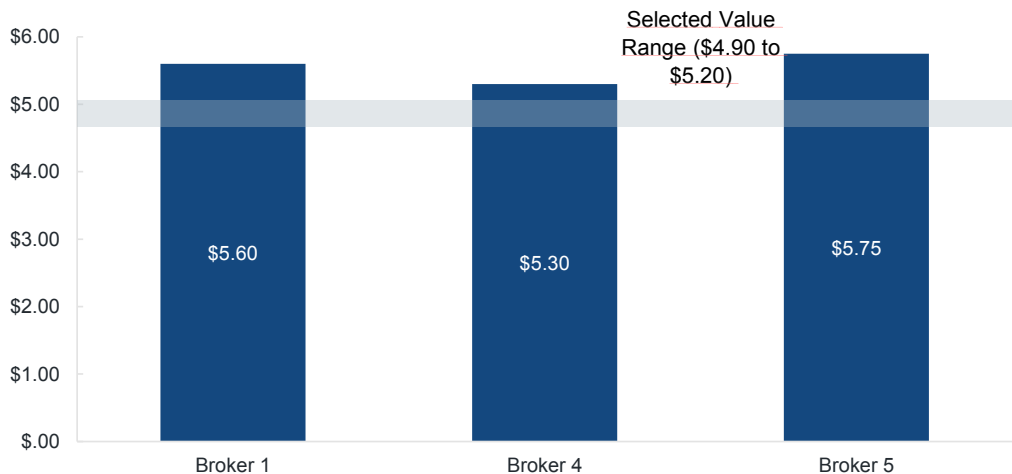
The median FFO multiple is 17.0 times and the median distribution yield is 4.9%. Based on trading of comparable companies in the current market, we would expect CLW to trade around NTA.



10.6.2 Comparison to broker target prices

As a final valuation cross-check, we have compared our selected valuation range for CLW Securities to current broker target prices.

CLW broker target prices



Source: Broker reports; Kroll Corporate Finance analysis

With regard to the above comparison, we note:

- as far as Kroll is aware, CLW is followed by seven brokers, three of which have published reports following the announcement of the Proposal on 20 September 2021 and are not restricted. Therefore, we consider that these target prices would reflect the most recent publicly available information for CLW;
- the broker target prices range from \$5.30 to \$5.75, with a median target price of \$5.60. Our selected valuation range falls below the range of broker target prices, which is appropriate given that target prices represent forward looking 12-month targets; and
- it is unclear to what extent the brokers have reflected the estimated impacts of the Proposal in their target prices.

11 Valuation of ALE Group

11.1 Approach

Our valuation of an ALE Security is based on the net assets approach. A-REITs, particularly those which passively hold portfolios of properties, are commonly valued with reference to net asset values as the net asset values are generally derived having regard to the fair value of the underlying properties. Other valuation methodologies (such as capitalisation of earnings and discounting of cash flows of the entity as a whole) are generally not used. The net assets approach is preferred for ALE Group as its value lies in its underlying properties and not the ongoing operations of the fund. The net assets methodology requires a valuer to determine the market value of the assets and liabilities at the valuation date, before deducting an allowance for corporate costs incurred to manage the portfolio. This approach represents the market value of the underlying assets, which is different to the net proceeds derived on the winding up of an entity (where CGT and other wind-up costs may apply).

11.2 Summary

We have valued an ALE Security in the range of \$5.40 to \$5.71. This estimate is based on ALE Group's NTA as at 30 June 2021 of \$743.0 million (\$3.71 per security). Adjustments have been made to derive a value per ALE Security including a premium as summarised as follows.

Valuation of an ALE Security

	Section Reference	Low	High
Audited NTA as at 30 June 2021	11.3	743.0	743.0
Increase in value of investment properties at 6 September 2021	11.3	73.9	73.9
Gain in sale of investment properties to be settled in November 2021	11.3	7.2	7.2
Pro forma NTA as at 30 June 2021	11.3	824.2	824.2
Increase based on DCF methodology	11.3	-	111.1
Less: capital shortfall to fund 1Q22 distribution	11.4	(3.0)	(3.0)
Less: capitalised corporate overheads (net of savings)	11.5	(16.1)	(14.1)
Movement in derivatives to 30 September 2021	11.6	(0.1)	(0.1)
Less: capitalised borrowing costs at 30 September 2021	11.7	(2.0)	(2.0)
Adjusted NTA		802.9	916.0
Diluted number of ALE Securities on issue (million)	7.7	200.6	200.6
Adjusted NTA per ALE Security		\$4.00	\$4.57
Premium to Adjusted NTA per ALE Security	11.8	35%	25%
Value per ALE Security (including a premium)		\$5.40	\$5.71

Source: Kroll analysis

Note: Table may not add due to rounding.

The low end of the value range reflects the independent property valuers' selected values whereas the high end of the value range reflects the independent property valuers' assessed values utilising a DCF methodology only, which Kroll considers to be more transparent than the Cap Rate methodology in reflecting rent reversion in 2028. See Section 11.3 for our detailed comments in respect of the property valuations.

The value per ALE Security represents the aggregate full underlying value of ALE Group. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets). Nevertheless, in current circumstances we consider it appropriate to apply a premium to adjusted NTA. Given the specific attributes of ALE Group, including taking into account the significant under-renting of the properties and other matters, we are of the opinion that a premium to adjusted NTA of 35% (low end) and 25% (high end) (\$1.40 and \$1.14 per security) is appropriate (refer to Section 11.8).

The assessed range of values of \$5.40 to \$5.71 per ALE Security represents:

- a premium to the one month VWAP to 17 September 2021 (\$4.78) in the range of 13.1% to 19.5%. This premium is consistent with and above the median control premium observed in transactions involving REITs over the last five years of 13.3%;⁶³ and
- a premium to pro forma NTA (\$4.11) in the range of 31.5% to 38.9%. This exceeds the 28.8% premium of the one month VWAP of ALE Securities to 17 September 2021 (\$4.78) to NTA per security at 30 June 2021 (\$3.71).

⁶³ Source: Factset/BVR Control Premium Study. Premiums relative to the unaffected share price for transactions involving REITs from January 2016 to September 2021.

Annexure A: Independent Expert's Report



11.3 Net tangible assets

ALE Group's financial position as at 30 June 2021 is set out in detail in Section 7.6 and summarised as follows.

ALE NTA as at 30 June 2021

	\$ million
Cash	43.6
Investment properties	1,225.4
Assets held for sale	68.9
Other assets	2.1
Total assets	1,340.0
Interest bearing liabilities	540.9
Distribution payable	21.5
Derivatives	29.0
Other liabilities	5.5
Total liabilities	597.0
NTA	743.0

Source: ALE Group

Investment properties

The NTA as at 30 June 2021 has been adjusted to reflect:

- the valuations of the continuing properties undertaken by independent property valuers at 6 September 2021, which resulted in a \$73.9 million uplift in value; and
- the \$7.2 million gain on sale of Royal Exchange, Toowong, QLD and Tudor Inn, Moorabbin, VIC, for which sale contracts have been exchanged and which are expected to be settled in November 2021.

All properties except for the WA properties (2.7% of portfolio value at 30 June 2021) were independently valued as at 6 September 2021. Given the nature of the evaluation, Kroll does not have any reason to believe that it is not reasonable to rely on these valuations for this purpose. Kroll has undertaken a review of the independent valuations and has concluded that:

- the property valuers were independent of ALE Group;
- the engagement instructions were appropriate;
- the scope of the valuations was limited in so far as the valuers did not conduct a site visit for the purposes of the 6 September 2021 valuation as a result of COVID-19 related lockdown restrictions and time constraints, however, each of the valuers has visited the properties on a number of occasions and is not aware of any development activities that have occurred since their last visit (for the purposes of the 31 October 2020 or 30 June 2021). Consequently, Kroll does not believe this limitation impacted the robustness of the valuations. There were no other limitations to the valuations;
- the property valuations were completed by reputable valuation firms and by valuers who have the appropriate qualifications in accordance with the standards of the Australian Property Institute; and
- the valuation methodologies appear to be consistent with those generally applied in the property industry (i.e. Cap Rate methodology and DCF methodology). In selecting the valuation conclusions, the valuers place a greater weighting on the Cap Rate methodology.

In relation to the approach adopted by valuers in valuing ALE's portfolio, we note that the valuers:

- made an assessment of uncapped rent from 2028, having regard to the 2018 Determinations. This involved the valuer estimating the tenant's EBITDAR⁶⁴ derived from the properties, and multiplying it by the proportion of EBITDAR that is commonly allocated to rents under long WALE rental agreements (i.e. a rule of thumb);
- the independent property valuers assessed the portfolio to be 36.5% under-rented as at 6 September 2021. The valuers have sought to capture the potential value uplift from rent reversion in 2028 in the capitalisation rates adopted in the Cap Rate methodology and in their assessment of uncapped rents

⁶⁴ EBITDAR is earnings before interest, tax, depreciation, amortisation and rent.

from FY28 in the DCF methodology. This is however highly subjective and we have run sensitivities on initial yield, terminal yield and terminal rents (refer to Section 11.8.3);

- **Cap Rate methodology:** this involved capitalising the current rent for the properties by an initial yield. Initial yields were based on yields implied by recent pub transactions and the valuer's assessment of the characteristics of the property (e.g. degree of under-renting, development potential (e.g. potential to add a Dan Murphy's)) relative to the market evidence. The market evidence included the ALE Group's divestment of eight non-core properties that were considered to be over-rented as well as other recent transactions. The valuers did not identify any transactions involving properties that were considered significantly under-rented; and
- **DCF valuation:** this involved forecasting rent for a 10 year period. Rent captured the contracted rent for FY22, then increased this rent by forecast CPI until November 2028, after which rent reverted to the valuer's assessment of uncapped rents. A terminal value was calculated based on an exit yield that is in all but one property between 0.5% and 1.0% higher than the initial yield utilised in the Cap Rate methodology.

In addition, we note that the valuations:

- assume that the properties are sold on an individual basis (and not sold in one line);
- incorporate land tax for the QLD properties;
- do not include property management expenses (as the leases are triple net);
- allow for costs associated with initial purchase and disposal at the end of the investment period, in accordance with normal property valuation methodologies for pubs; and
- were undertaken on a going concern basis in accordance with current use since the lease agreement with ALE Group are long-term. In this regard, the valuers did not capture latent land value in its highest potential use.

On this basis, Kroll considers that the values derived by the valuers utilising each of the Cap Rate methodology and DCF methodology are not unreasonable and are, therefore, appropriate for use in a net assets based valuation approach. This review does not, however, imply that the valuations have been subject to any form of audit or due diligence.

Weighting of valuation methodologies

The independent property valuers have selected a single estimate for each of the properties as the valuations have been prepared for the purpose of the financial accounts. In selecting a single estimate, one valuer placed 100% weighting on the Cap Rate methodology and the other valuer placed an approximate 66%/33% weighting on the Cap Rate/DCF methodology.

Kroll, however, considers that in forming a view as to the possible range of property values it is appropriate to consider the value determined using the DCF methodology. The DCF methodology benefits from being more transparent in how it considers the impact of any rent reversion in 2028 as cash flows are forecast for a 10 year period and therefore explicitly includes the valuers' view as to the outcome of the uncapped rent reviews in 2028. The property values determined under such an approach represent a reasonable view as to likely value. Consequently, Kroll has adopted the valuers' selected value as the low end of the value range and the valuers' assessed value based on a DCF methodology as the high end of the value range.

11.4 Distributions and retained earnings

The pro forma 30 June 2021 NTA for ALE Group includes earnings for the three months to 30 June 2021 and a provision for the final FY21 distribution (125% payout ratio). The Final FY21 distribution was paid on 6 September 2021.

ALE will generate distributable income from 1 July 2021 up until implementation of the Schemes (expected to be mid-December 2021). Under the Proposal, ALE Securityholders will be entitled to the distribution for the three months to 30 September 2021. On 20 September 2021, the ALE Board announced a distribution of 5.5 cents per ALE Security for the three months to 30 September 2021 (a 138% payout ratio based on the 15.9 cent OEPS guidance for FY22). For the purposes of evaluating the Schemes, Kroll has adjusted ALE Group's pro forma NTA by deducting the actual capital shortfall arising from the distribution and transaction costs incurred to 30 September 2021 in relation to the Schemes (i.e. a reduction in capital of \$3.0 million).



If the Schemes are implemented prior to 31 December 2021, ALE Securityholders will be entitled to receive the CLW distribution for 2Q22 (100% payout ratio). If the Schemes are not implemented prior to 31 December 2021, ALE Securityholders may receive a distribution from ALE Group with respect to 2Q22, however, the consideration will be reduced by the amount of the distribution. No adjustment to NTA per ALE Security has been made on the basis that the Schemes are intended to be implemented prior to that date.

11.5 Capitalised corporate overheads

NTA does not reflect the cost structure associated with being a listed investment vehicle. Corporate overheads are a cost of ALE Group's operating structure and include employment costs, occupancy, administration, services and compliance and revaluation.

The independent property valuations do not reflect any corporate overhead costs. We therefore consider it appropriate to adjust the NTA value to reflect the capitalised value of these costs, net of savings available to a hypothetical acquirer.

It is estimated that as a stand-alone entity, ALE Group will incur ongoing management fees, salaries and expenses of \$6.7 million, being \$7.7 million in expenses in FY21, less non-recurring expenses in FY21 of \$1.6 million, plus \$0.7 million of incremental insurance costs going forward (refer to Section 7.5.1). There are a number of other potential acquirers of 100% of ALE Group that have an existing property funds management platform in Australia and which could likely save a substantial share of expenses. Based on discussions with ALE management and cost savings achieved in other A-REIT transactions, we have estimated that an acquirer with a property funds management platform in Australia could eliminate \$4.7 million of these costs. Assuming a range of potential acquirers could achieve cost savings of this magnitude, Kroll has assumed residual corporate overheads of \$2.0 million per annum (i.e. net cost savings of approximately 70%). These savings are lower than those that CHWALE expects to achieve (which is almost all operating costs).

We have capitalised the residual overheads at a multiple of 7 to 8 times, which is consistent with multiples typically applied for costs of this nature in the context of A-REITs, and consistent with multiples applied in other independent expert reports involving A-REITs. On this basis, we have assessed a value of residual corporate overheads to be \$14.1 to \$16.1 million.

ALE Capitalised Corporate Costs Net of Savings

	Low	High
Estimated corporate overheads (net of savings)	2.0	2.0
Capitalisation multiple (times)	8.0	7.0
Capitalised corporate overheads	16.1	14.1

Source: Kroll analysis

11.6 Mark to market of debt and derivatives

The AMTNs and CIB are not reflected on the balance sheet at fair value. As at 30 September 2021, the fair value of the AMTNs and CIB exceeded the book values by \$4.4 million and \$10.8 million, respectively. No adjustment has been made on the assumption that an acquirer would hold the debt to maturity, noting that the AMTNs expiring in August 2022 are subject to 'no adverse impact' clauses. There are no change of control provisions for the CIBs and AMTNs expiring in August 2024.

An adjustment has been made for the \$0.1 million increase in the MTM of derivative liabilities from 30 June 2021 to 30 September 2021.

11.7 Other assets and liabilities

Borrowings included in the pro forma NTA at 30 September 2021 is net of \$2.0 million of borrowing costs which have been capitalised for accounting purposes. These are not assets that are realisable and therefore have been excluded in deriving the adjusted NTA. All other assets and liabilities have been included at their face value.

11.8 Premium over NTA

11.8.1 Summary

There are a number of compelling reasons that a substantial premium to Adjusted NTA is appropriate for ALE Group. In aggregate, we have attributed a premium to Adjusted NTA of 35% (low end) and 25% (high end) (i.e. \$1.40 and \$1.14 per ALE Security). This reflects the sum of:

- a 20% premium applied to the low end of the Adjusted NTA (which is based on the independent property valuers' selected value) and a 10% premium to the high end of the Adjusted NTA (which is based on a DCF methodology) to reflect the potential value of under-renting; and
- a 15% premium applied to the high and low Adjusted NTA to reflect the other particular characteristics of ALE Group.

11.8.2 Characteristics of ALE Group

Approach

RG 111 requires that in assessing the fairness of the Schemes, it is necessary to consider the extent to which a premium for control may be appropriate.

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 share to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration.

Our adjusted NTA per ALE Security (excluding a premium) represents the aggregate full underlying value of ALE Group. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets). Nevertheless, a premium over NTA may be appropriate in certain circumstances, including:

- where a number of properties are under-rented;
- where property valuations are not current in a rising market or there is a lack of comparable transaction evidence from which to establish an initial yield;
- the target has substantial other operating businesses (e.g. third party property management) that are not capital intensive and as such are not fully reflected in NTA (and, in particular, where the acquirer can derive synergies from those operations);
- the target has a substantial development pipeline, providing growth opportunities;
- economies of scale can be achieved by integrating the target's business with the acquirer's operations, for example in funds management, property management and development management;
- where the portfolio is unique and has strategic value;
- stamp duty savings associated with acquiring a portfolio of assets (rather than individual assets); and
- the outcome of a competitive bidding process.

In other situations, a discount to NTA may be appropriate, for example:

- where property valuations are not current in a declining market;
- the portfolio contains non-core assets that are not attractive to acquirers;
- in the absence of substantial cost synergies; and
- the target is in financial distress.

11.8.3 Sensitivity analysis

Valuers' selected values for the properties (Kroll low Adjusted NTA)

There are a number of assumptions in the independent property valuations that are subject to significant uncertainty. As discussed, the low end of our valuation range is based on the property valuers' selected values, which are primarily based on a Cap Rate methodology and, to a lesser extent, the DCF methodology.

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Initial yields applied in the Cap Rate methodology are based on capitalisation rates implied from recent pub transactions. Recent transactions include a number of properties that are considered to be over-rented and do not include any transactions involving under-rented properties. Consequently, there is presently no direct evidence of appropriate yields to apply to under-rented pubs. ALE Group's recently divested over-rented, non-core properties were sold at a substantial premium to book value. The valuers are of the view that this suggests that acquirers are valuing properties on the basis of initial yield, rather than taking into account any future rent reversions and, therefore, they have broadly applied these yields in valuing ALE Group's pubs (most of which are under-rented). Kroll is of the view that in the absence of any specific transactions involving under-rented pubs, it is uncertain whether acquirers would be willing to pay a premium to acquire under-rented properties, or whether they will focus on initial yields. Consequently, Kroll has run a sensitivity to illustrate the outcome of changes in initial yield on the independent property valuers' selected values (which are primarily based on the Cap Rate methodology). **Terminal yields** applied in the DCF methodology are adjusted by the same amount as initial yields since valuers have assumed these are 1% higher than initial yields.

Sensitivity Analysis

	Change in Initial and Terminal Yield						
	(0.75%)	(0.50%)	(0.25%)	0.00%	0.25%	0.50%	0.75%
Change in Adjusted NTA per ALE Security	\$1.24	\$0.77	\$0.36	\$ -	\$(0.35)	\$(0.61)	\$(0.87)

Source: Kroll analysis

The analysis indicates that where acquirers are willing to pay a 50 bps lower initial yield (and terminal yield) this would increase the low end of Adjusted NTA per ALE Security by \$0.77 (equivalent to a 19% premium). We do not consider such a position to be unreasonable in the current market where market evidence continues to suggest reduced yields and have applied a 20% premium to the low end of the adjusted NTA per security to take such a likelihood into account.

DCF methodology (Kroll high Adjusted NTA)

The following assumptions in the DCF methodology are subject to significant uncertainty:

- **uncapped rent:** the uncapped rents adopted by the valuers are subjective, both in terms of the EBITDAR assumed for the tenant and the proportion of EBITDAR that rent typically comprises (which is based on industry rules of thumb). They also do not take into account any currently unknown development within the portfolio that may be undertaken by ALH in the period prior to the uncapped rent reviews in 2028. Actual uncapped rent could be higher or lower than that assumed by the independent property valuers;
- **terminal yield:** the terminal yield adopted by the independent property valuers is in all but one property between 0.5% and 1.0% greater than the initial yield applied in the Cap Rate methodology. The terminal yield adopted will also likely change if the initial yield changes to retain this difference if the same approach is adopted as that of the independent property valuers, however, a prospective purchaser may have a different view as to any adjustment to the terminal yield; and
- **discount rate:** the discount rate adopted by the independent valuers is based on their judgement. It is reasonable to consider that a prospective purchaser may have a different view, either higher or lower.

Adopting a DCF methodology, the following table illustrates the change in Adjusted NTA per Security for changes in terminal rent and terminal yield.

Sensitivity Analysis

		Change in Terminal Rent				
		(10.00%)	(5.00%)	0.00%	5.00%	10.00%
Change in Terminal Yield	(1.00%)	\$0.49	\$0.80	\$1.11	\$1.42	\$1.74
	(0.50%)	\$(0.07)	\$0.21	\$0.49	\$0.78	\$1.06
	0.00%	\$(0.51)	\$(0.26)	-	\$0.26	\$0.51
	0.50%	\$(0.88)	\$(0.64)	\$(0.41)	\$(0.17)	\$0.07
	1.00%	\$(1.18)	\$(0.96)	\$(0.74)	\$(0.53)	\$(0.30)

Source: Kroll analysis



The analysis indicates that if terminal yield is 50 bps lower, Adjusted NTA per security increases by \$0.49 (equivalent to an 11% premium). Terminal rent could be higher or lower and does not necessarily reflect any bias either way. We do not consider it unreasonable in the current market that a prospective purchaser would assess there to be greater value associated with the terminal rent and terminal yield. We have attributed a 10% premium to reflect the potential for a higher terminal yield.

Potential impact of New Determinations

The outcome of the New Determinations is uncertain, however, the cap and collar will continue to apply to any New Determinations, such that:

- the Maximum Rent which could result from any New Determinations (10% higher than the \$15.7 million passing rent before any rent review as at November 2018 and adjusted for CPI in accordance with the terms of the lease) would be \$17.7 million; and
- the Minimum Rent which could result from any New Determinations (10% lower than the \$15.7 million passing rent before any rent review as at November 2018 and adjusted for CPI in accordance with the terms of the lease) would be \$14.5 million.

In order to understand the potential value impact, when the adopted yields of the independent property valuers' were applied to the Maximum Rent, the carrying value of the 16 properties increases by \$29.9 million (\$0.15 per ALE Security). Alternatively, if the independent property valuers' adopted yields were applied to the Minimum Rent, the carrying value of the 16 properties decreases by \$40.9 million (\$0.20 per ALE Security). In our view there is no assurance as to whether the New Determination will be favourable or unfavourable to ALE Group.

Potential Impact of New Determinations

	Minimum Rent	Maximum Rent
Change in Adjusted NTA per ALE Security	\$(0.20)	\$0.15

Source: Kroll analysis

Furthermore, ALE engaged with the independent property valuer who prepared the recent valuation assessment in relation to the 16 properties. The valuer confirmed that the outcome of the Victorian Litigation does not require any change to the valuation assessments in relation to the 16 properties. Consequently, Kroll has not applied any additional premium to reflect the potential outcome of the New Determinations. In addition, the Victorian Litigation may have implications for the uncapped rent reviews in 2028, however, the outcome of these determinations is unknown.

Potential value of ALE Group's land bank

ALE Group's property portfolio has been valued based on its current use. For certain properties, the land on which the pubs are located has significant potential value in excess of the value in their current use (refer to Section 7.4.1). However, the properties are subject to long term leases. Attributing a value to the land in excess of the value in its current use assumes that an acquirer is able to renegotiate the leases such that it is able to capitalise on this land value. ALH has a strong negotiating position and there is no certainty that such a negotiation would be successful. Consequently, we do not consider that any additional premium should be applied to reflect potential value of the land bank over and above the value of that of the land in its current use.

11.8.4 Other characteristics of ALE Group

An acquisition of ALE Group provides an opportunity for an acquirer to:

- acquire one of only two pure play listed pub portfolios in Australia;
- gain access to a long WALE of 7.1 years, with a strong likelihood of renewing for four additional 10 year terms;
- gain exposure to a strong tenant covenant;
- refinance borrowings at a lower interest rate (subject to break fees); and
- potentially avoid substantial stamp duty costs by acquiring ALE Group's portfolio as opposed to acquiring each of the properties individually. Based on the independent property valuers' selected value for ALE Group's properties at 6 September 2021, it is estimated that stamp duty costs saved

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are \$71.5 million (\$0.36 per ALE Security).⁶⁵ This is equivalent to a premium on Adjusted NTA of 8% to 9%.

Overall, Kroll considers that an additional 15% premium is warranted to take into account these factors.

11.9 Valuation cross-check

As a cross-check to our primary net assets methodology, we have compared the operating earnings multiples, distribution yields and premium to NTA implied by our primary valuation approach and compared them to those of the comparable listed A-REITs and recent transactions involving A-REITs.

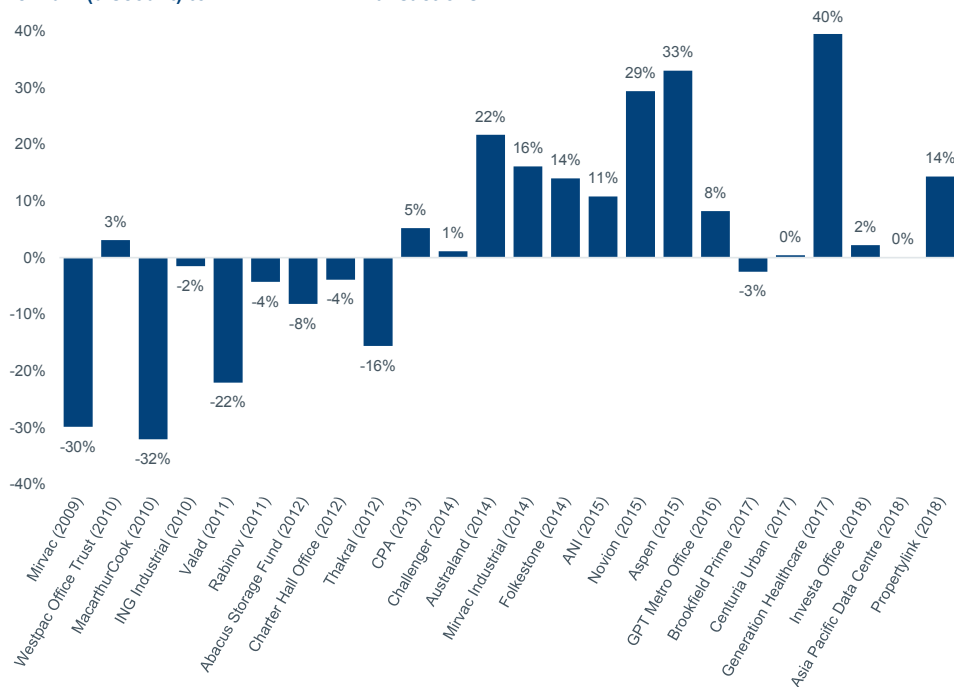
11.9.1 Comparable listed A-REITs

The only other listed pub owners is Hotel Property Investments (**HPI**). HPI is trading at a forecast operating earnings multiple of 16.7 times, a forecast distribution yield of 5.7% and a 10.4% premium to NTA. Similar to ALE, HPI is internally managed. Its portfolio comprises 54 freehold hotels and associated specialty tenancies valued at \$952.5 million. HPI's portfolio is concentrated in QLD (88.9% of the portfolio). All the pubs are leased to a joint venture between Coles and Australian Venture Company, except for one pub which is leased to ALH. Pub tenants contribute approximately 93% of HPI's income. HPI's portfolio has a 100% occupancy rate, a WALE of 10.8 years and a WACR of 5.95%. Unlike ALE, its distribution payout ratio is lower (100% of AFFO in FY21), it generates strong rental income growth with a majority of the leases containing minimum rental increases of the lower of two times the average five year historical CPI and 4% per annum and there is no indication of under-renting.

11.9.2 Transactions involving A-REITs

There are few recent transactions involving A-REITs. The premium/(discount) to NTA for transactions that have occurred since 2009 are set out as follows:

Premium/(discount) to NTA in A-REIT Transactions



It is relevant to note that premiums/(discounts) to NTA vary over time depending on the point in the cycle, with greater premiums paid in a rising market and discounts paid in a falling market due to the lag in property

⁶⁵ Calculated as 5.5% of \$1.3 billion property value at 6 September 2021.



valuations. Higher premiums are also observed where the A-REIT has substantial other operating businesses, a substantial development pipeline or where the transaction is the result of a competitive bidding process. We note that A-REITs are currently trading at around NTA and consequently, we would expect a transaction to occur at around NTA, in the absence of any particular characteristics of the portfolio (e.g. substantial under-renting, development pipeline or third party funds management platform).

11.9.3 Conclusion

Our assessed value of an ALE Security on an adjusted NTA basis of \$5.40 to \$5.71 implies the following forecast operating earnings multiples, forecast distribution yields and premium to NTA per security:

ALE Implied Multiples Cross-check

	Parameter	Low	High
Value per ALE security		\$5.40	\$5.71
FY22 distribution yield - guidance	22.0¢	4.1%	3.9%
FY22 operating earnings multiple - guidance	15.9¢	34.0x	35.9x
Premium to pro forma NTA as at 30 June 2021	\$4.11	31.5%	38.9%

Sources: Kroll Analysis

ALE Group's implied operating earnings multiple is extremely high and the distribution yield is low. This is reasonable since it reflects:

- ALE's long term, triple net leases and the tenant covenant;
- the attractiveness of one of only two pure play, listed pub portfolios in Australia and the value associated with buying a portfolio of assets (rather than individual assets); and
- that operating earnings do not capture the potential impact of the uncapped rent reviews in 2028, partially offset by the impact of ALE's distribution payout being substantially greater than that of other listed A-REITs.

The premium to pro forma NTA is high, which is reasonable as the valuation more fully takes into account the potential for increased rent in 2028 than do the independent property valuers. It exceeds the 28.8% premium of the one month VWAP of ALE Securities to 17 September 2021 (\$4.78) to NTA per security at 30 June 2021 (\$3.71).

The relevant market evidence is summarised in the following sections and provided in detail in Appendix 6.



Appendix 1 – Kroll disclosures

Qualifications

The individuals with overall responsibility for preparing this report on behalf of Kroll are Ian Jedlin and Celeste Oakley. Ian is an Associate and Accredited Business Valuation Specialist of the Institute of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australia and holds a Master of Commerce from the University of New South Wales. He is also a member of the Standards Review Board of the International Valuation Standards Council. Celeste holds a Bachelor of Economics and Bachelor of Laws and a CFA designation. Both Ian and Celeste have extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports. Other staff assisted in the preparation of this report.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Kroll's opinion as to whether the Schemes are in the best interests of ALE Securityholders. Kroll expressly disclaims any liability to any ALE Securityholder 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, Kroll has had no involvement in the preparation of the Scheme Booklet or any other document prepared in respect of the Schemes. As such, Kroll takes no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Schemes (other than this report).

Independence

Kroll considers itself to be independent in accordance with the requirements of Regulatory Guide 112 issued by the ASIC on 30 March 2011. In considering independence, it is noted that Kroll does not have, and has not had within the previous two years, any business or professional relationship with ALE Group, CLW or Host-Plus or any financial or other interest that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion in relation to ALE Group. Kroll's only role with respect to the Schemes has been the preparation of this report.

Kroll will receive a fixed fee of \$350,00 (excluding GST and out of pocket expenses) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme Meetings. Kroll will receive no other benefit for the preparation of this report.

Declarations

ALE has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

During the course of this engagement, Kroll provided draft copies of this report to management of ALE for comment as to factual accuracy, as opposed to opinions, which are the responsibility of Kroll alone. Changes made to this report as a result of those reviews have not altered the methodology or opinions of Kroll as stated in this report.

The engagement has been conducted in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**).

Kroll is authorised by Millinium Capital Managers Limited, Australian Financial Services License no. 284336, to provide the following financial services as their Corporate Authorised Representative:

- provide financial product advice in respect of the following classes of financial products:
- interests in managed investment schemes including investor directed portfolio services; and
- securities;

with respect to retail clients and wholesale clients.

Consents

Kroll consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet to be issued to ALE Securityholders. Neither the whole nor any part of this report or its attachments or any reference thereto may be included or attached to any other document without the prior written consent of Kroll as to the form and context in which it appears.

Appendix 2 – Limitations and reliance on information

Limitations and Reliance on Information

Kroll's opinion is based on prevailing economic, market, business and other conditions at the date of this report and corresponds with a period of continued uncertainty associated with the COVID-19 pandemic. To the extent possible, we have reflected these conditions in our opinion. However, the factors impacting these conditions continue to evolve and can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. 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.

Our report is also based on financial and other information provided by ALE and its advisers. ALE has been responsible for ensuring that information provided by it and its representatives is not false or misleading or incomplete. ALE has represented in writing to Kroll that to its knowledge, the information provided is complete and not incorrect or misleading in any material respect. Complete information is deemed to be information which at the time of completing this report should have been made available to Kroll and would have reasonably been expected to have been made available to Kroll to enable us to form our opinion. We have no reason to believe that any material facts have been withheld from us.

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 such information. Nothing in this report should be taken to imply that Kroll has in any way carried out an audit of the books of account or other records of ALE Group or CLW for the purposes of this report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards, as applicable.

In addition, we have also had discussions with ALE in relation to the nature of the business operations, specific risks and opportunities, historical results of ALE Group and prospects for the foreseeable future of ALE Group. This type of information has been evaluated through analysis, inquiry and review to the extent considered necessary or practical as part of the information used in forming our opinion is comprised of the opinions and judgements of management. Kroll does not warrant that its procedures and inquiries have identified all matters that a more extensive analysis might disclose as they did not include verification work nor an audit or review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. Such information is often not capable of external verification or validation.

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.

Disclosure of information

In preparing this report, Kroll has had access to all financial information considered necessary in order to provide the required opinion. ALE has requested Kroll limit the disclosure of certain information relating to ALE Group. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising ALE Group. As such the information in this report, unless otherwise indicated, has been limited to the type of information that is regularly placed into the public domain by ALE.

Sources of Information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- Scheme Booklet
- Scheme Implementation Deed
- results presentations and annual reports for ALE Group for FY18, FY19, FY20 and FY21

Annexure A: Independent Expert's Report



- ASX announcements, press releases, media and analyst presentations and other public filings by ALE Group including information available on its website
- broker reports and recent press articles regarding ALE Group
- information sourced from S&P Capital IQ.

CLW information used has been based on publicly available information including:

- results presentations and annual reports for CLW for FY18, FY19, FY20 and FY21
- ASX announcements, press releases, media and analyst presentations and other public filings by CLW including information available on its website
- broker reports and recent press articles regarding CLW
- information sourced from S&P Capital IQ.

Non-public information

- independent property valuations for ALE Group as at 6 September 2021
- ALE Board papers and other internal briefing papers prepared by ALE Group in relation to the Schemes
- other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of ALE as responsible entity for ALE Trust.

Appendix 3 – ALE Group portfolio listing at 6 September 2021

Property	Fair value at 6 September 2021	Capitalisation rate	Percentage of total
<i>New South Wales</i>			
Blacktown Inn, Blacktown	19.5	3.55%	1.5%
Brown Jug Hotel, Fairfield Heights	18.9	3.93%	1.5%
Colyton Hotel, Colyton	27.1	3.96%	2.1%
Crows Nest Hotel, Crows Nest	29.8	3.57%	2.3%
Melton Hotel, Auburn	10.5	3.79%	0.8%
Narrabeen Sands Hotel, Narrabeen	19.6	4.34%	1.5%
New Brighton Hotel, Manly	13.6	4.11%	1.0%
Pioneer Tavern, Penrith	19.6	3.76%	1.5%
Pritchard's Hotel, Mount Pritchard	43.2	4.51%	3.3%
Smithfield Tavern, Smithfield	14.4	3.72%	1.1%
Total New South Wales properties	216.2	3.98%	16.6%
<i>Victoria</i>			
Ashley Hotel, Braybrook	12.8	4.25%	1.0%
Bayswater Hotel, Bayswater	27.4	4.50%	2.1%
Berwick Inn, Berwick	21.6	5.24%	1.7%
Blackburn Hotel, Blackburn	21.6	4.50%	1.7%
Blue Bell Hotel, Wendouree	6.9	4.25%	0.5%
Burvale Hotel, Nunawading	30.3	4.25%	2.3%
Club Hotel, Ferntree Gully	12.8	4.49%	1.0%
Cramers Hotel, Preston	23.7	4.50%	1.8%
Deer Park Hotel, Deer Park	21.3	4.49%	1.6%
Doncaster Inn, Doncaster	35.6	4.25%	2.7%
Ferntree Gully Hotel/Motel, Ferntree Gully	11.0	4.26%	0.8%
Gateway Hotel, Corio	11.7	4.00%	0.9%
Keysborough Hotel, Keysborough	28.2	4.25%	2.2%
Mac's Melton Hotel, Melton	20.4	4.50%	1.6%
Meadow Inn Hotel/Motel, Fawkner	24.0	4.50%	1.8%
Mitcham Hotel, Mitcham	20.8	4.75%	1.6%
Olinda Creek Hotel, Lilydale	10.4	4.25%	0.8%
Pier Hotel, Frankston	16.9	5.00%	1.3%
Plough Hotel, Mill Park	23.9	4.75%	1.8%
Prince Mark Hotel, Doveton	28.0	4.50%	2.2%
Royal Exchange, Traralgon	8.3	3.99%	0.6%
Sandbelt Club Hotel, Moorabbin	30.3	4.75%	2.3%
Sandown Park Hotel/Motel, Noble Park	18.5	4.25%	1.4%
Sandringham Hotel, Sandringham	16.7	3.75%	1.3%
Somerville Hotel, Somerville	9.5	4.00%	0.7%
Stamford Inn, Rowville	35.3	4.50%	2.7%
Sylvania Hotel, Campbellfield	15.5	4.76%	1.2%
The Vale Hotel, Mulgrave	19.1	3.75%	1.5%
Village Green Hotel, Mulgrave	28.6	4.75%	2.2%
Young & Jackson, Melbourne	26.4	2.50%	2.0%
Total Victorian properties	616.6	4.37%	47.5%

Source: ALE Group

Annexure A: Independent Expert's Report



Property	Fair value at 6 September 2021	Capitalisation rate	Percentage of total
Queensland			
Albany Creek Tavern, Albany Creek	23.6	4.21%	1.8%
Alderley Arms Hotel, Alderley	8.5	4.37%	0.7%
Anglers Arms Hotel, Southport	14.3	4.14%	1.1%
Balaclava Hotel, Cairns	15.4	4.70%	1.2%
Breakfast Creek Hotel, Breakfast Creek	29.1	3.66%	2.2%
Burleigh Heads Hotel, Burleigh Heads	18.1	4.37%	1.4%
Camp Hill Hotel, Camp Hill	7.5	3.72%	0.6%
Chardons Corner Hotel, Annerly	4.0	3.84%	0.3%
Dalrymple Hotel, Townsville	16.2	4.32%	1.2%
Edge Hill Tavern, Manoora	7.8	4.76%	0.6%
Four Mile Creek, Strathpine	11.2	4.35%	0.9%
Hamilton Hotel, Hamilton	19.8	3.63%	1.5%
Holland Park Hotel, Holland Park	17.7	4.10%	1.4%
Kirwan Tavern, Townsville	14.2	4.77%	1.1%
Lawnton Tavern, Lawnton	10.0	4.87%	0.8%
Miami Tavern, Miami	18.8	3.96%	1.4%
Miami Hotel - Adjacent Lot	1.5	5.16%	0.1%
Mount Gravatt Hotel, Mount Gravatt	9.0	4.58%	0.7%
Mount Pleasant Tavern, Mackay	13.0	4.65%	1.0%
Nudgee Beach Hotel, Nudgee	8.2	4.57%	0.6%
Palm Beach Hotel, Palm Beach	17.9	4.32%	1.4%
Prince of Wales Hotel, Nundah	11.6	4.00%	0.9%
Racehorse Hotel, Booval	7.8	3.08%	0.6%
Redland Bay Hotel, Redland Bay	11.1	4.11%	0.9%
Springwood Hotel, Springwood	27.6	4.02%	2.1%
Stones Corner Hotel, Stones Corner	11.8	4.48%	0.9%
Vale Hotel, Townsville	16.8	5.12%	1.3%
Wilsonton Hotel, Toowoomba	15.1	4.35%	1.2%
Total Queensland properties	387.6	4.24%	29.8%
South Australia			
Aberfoyle Hub Tavern, Aberfoyle Park	8.3	4.99%	0.6%
Eureka Tavern, Salisbury	6.8	5.01%	0.5%
Exeter Hotel, Exeter	5.9	4.76%	0.5%
Finsbury Hotel, Woodville North	5.2	4.52%	0.4%
Gepps Cross Hotel, Blair Athol	8.5	3.99%	0.7%
Hendon Hotel, Royal Park	5.2	4.76%	0.4%
Stockade Tavern, Sailsbury	6.8	5.00%	0.5%
Total South Australian properties	46.5	4.70%	3.6%
Western Australia			
Queens Tavern, Highgate	10.5	5.92%	0.8%
Sail & Anchor Hotel, Fremantle	5.2	5.77%	0.4%
The Brass Monkey Hotel, Northbridge	9.5	6.56%	0.7%
Balmoral Hotel, East Victoria Park	7.4	7.14%	0.6%
Total Western Australian properties	32.5	6.36%	2.5%
Grand Total¹	1,299.4	4.33%	100.0%

Source: ALE Group

Notes:

1. WACR is for completed properties only and excludes Miami Hotel – Adjacent Lot.

Appendix 4 – CLW portfolio listing at 30 June 2021

Property	State	Ownership	Fair Value (\$ millions) ²	Cap rate ³	WALE (years) ⁴	Occupancy ⁴	WARR ⁴	Percentage of total
Long WALE retail¹								
Endeavour Group portfolio (62 properties)	Australia-wide	49.9%	545.4	4.85%	13.2	100%	2.6% (CPI)	9.8%
bp Australia portfolio (225 properties)	Australia-wide	24.5%	493.1	4.71%	18.4	100%	2.6% (CPI)	8.9%
bp New Zealand portfolio (70 properties)	New Zealand wide	24.5%	165.9	4.57%	19.5	100%	3.1% (CPI + 0.5%) ⁵	3.0%
David Jones, Sydney	NSW	50.0%	260.0	5.00%	19.7	100%	2.50%	4.7%
Myer, Melbourne	VIC	33.3%	135.2	6.00%	10.5	100%	3.6% (CPI + 1.0%)	2.4%
Bunnings (4 properties)	QLD, NT, WA	100.0%	160.6	4.86%	9.1	100%	2.40%	2.9%
Club Hotel, Waterford	QLD	100.0%	26.0	5.25%	11.5	100%	3.00%	0.5%
Ampol, Redbank Plains	QLD	100.0%	25.4	5.50%	8.9	100%	3.30%	0.5%
Total/weighted average			1,811.5	4.91%	15.3	100%	2.7%	32.6%
Office								
The Glasshouse, Macquarie Park	NSW	50.0%	184.0	4.50%	10.5	100%	3.40%	3.3%
Westpac Building, Kogarah	NSW	50.1%	123.2	4.75%	13.1	100%	2.6% (CPI)	2.2%
Thales Australia Head Office, Sydney Olympic Park	NSW	100.0%	52.0	5.00%	10.6	96%	3.50%	0.9%
Australian Taxation Office, Albury	NSW	50.0%	42.3	5.75%	6.8	99%	3.50%	0.8%
Services Australia, Tuggeranong	ACT	50.0%	152.5	4.75%	10.0	100%	3.50%	2.7%
Tesla Canberra Head Office, Canberra	ACT	100.0%	110.0	5.38%	4.6	100%	3.80%	2.0%
242 Exhibition Street, Melbourne	VIC	15.0%	135.8	4.25%	10.1	99%	3.50%	2.4%
Australian Taxation Office, Box Hill	VIC	50.0%	115.0	4.50%	8.5	100%	4.00%	2.1%
Australian Taxation Office, Upper Mount Gravatt	QLD	100.0%	67.5	6.75%	5.3	100%	2.50%	1.2%
56 Edmondstone Road, Bowen Hills ⁶	QLD	100.0%	52.5	7.75%	8.0	23% ⁶	3.30%	0.9%
85 George Street, Brisbane	QLD	50.0%	56.8	5.25%	7.3	100%	3.50%	1.0%
40 Tank Street, Brisbane	QLD	50.0%	45.8	5.77%	3.5	99%	2.80%	0.8%
Australian Taxation Office, Adelaide	SA	50.0%	158.8	5.25%	5.9	100%	3.70%	2.9%
Optima Centre, Perth	WA	50.0%	68.0	5.75%	11.0	93%	3.50%	1.2%
Total/weighted average			1,364.0	5.11%	8.3	94%	3.4%	24.5%

Source: CLW FY21 Results Presentation

Notes:

1. Myer Melbourne, Bunnings Baldivis, Bunnings Caboolture and the Endeavour Group leased Terry Hills Tavern had not settled as at reporting date.
2. External valuation as at 30 June 2021 (REIT ownership interest).
3. Weighted by net passing income as at 30 June 2021 (REIT ownership interest).
4. Weighted by net passing income as at 30 June 2021 (REIT ownership interest). CPI is assumed at 2.6% over the forecast period.
5. Plus up to 0.6% over the first 5 years of the lease only (if CPI is less than 2.5%). Rent reviews after the first 5 years revert to CPI.
6. Occupancy, WALE and WARR include the lease to FUJIFILM announced to ASX on 20 July 2021. The independent valuation of the property was undertaken as at 30 June 2021 (prior to the FUJIFILM lease). As such the independent valuation does not include the FUJIFILM lease.

Annexure A: Independent Expert's Report



Property	State	Ownership	Fair Value (\$ millions) ²	Cap rate ³	WALE (years) ⁴	Occupancy ⁴	WARR ⁴	Percentage of total
Industrial & logistics⁷								
Arnott's, Huntingwood	NSW	50.0%	243.5	3.75%	30.5	100%	3.1% (CPI + 0.5%)	4.4%
National Archives, Chester Hill	NSW	100.0%	78.0	4.25%	17.3	100%	3.00%	1.4%
Australia Post, Kingsgrove	NSW	100.0%	29.0	4.50%	5.0	100%	3.50%	0.5%
Woolworths Distribution Centre, Dandenong	VIC	26.0%	82.3	3.75%	16.7	100%	2.80%	1.5%
Coles Distribution Centre, Truganina	VIC	50.0%	78.4	3.75%	11.0	100%	3.50%	1.4%
Linfox Distribution Centre, Hoopers Crossing	VIC	100.0%	65.0	5.00%	4.5	100%	3.00%	1.2%
Toll, Altona North	VIC	100.0%	36.5	5.00%	4.4	100%	3.50%	0.7%
Simon National Carriers, Carole Park ⁷	QLD	100.0%	83.1	4.00%	15.0	100%	3.00%	1.5%
Coates Hire, Kingston	QLD	100.0%	40.3	4.38%	11.7	100%	4.00%	0.7%
Electrolux, Beverley	SA	100.0%	52.5	5.25%	8.4	100%	3.50%	0.9%
Metcash Distribution Centre, Canning Vale	WA	100.0%	172.0	6.50%	2.6	100%	2.6% (CPI)	3.1%
Coles Distribution Centre, Perth Airport	WA	49.9%	163.2	4.75%	13.5	100%	2.80%	2.9%
SUEZ portfolio (11 properties)	Australia-wide	100.0%	125.1	4.36%	16.3	100%	3.00%	2.3%
Total/weighted average			1,248.8	4.57%	12.9	100%	3.0%	22.5%
Social infrastructure								
National Telco Exchanges portfolio (36 properties)	Australia-wide	24.5%	402.1	3.80%	19.1	100%	3.1% CPI + 0.5%	7.2%
Pitt Street Telco Exchange, Sydney CBD	NSW	100.0%	290.6	4.38%	9.5	100%	2.50%	5.2%
Australian Red Cross, Alexandria	NSW	50.0%	79.5	4.25%	9.6	100%	3.50%	1.4%
Brisbane City Council Bus Network Terminal	QLD	50.0%	61.0	4.13%	17.2	100%	2.50%	1.1%
Total/weighted average			833.2	4.07%	14.4	100%	2.9%	15.0%
Agri-logistics								
Ingham's portfolio (27 properties)	Australia-wide	100.0%	302.3	5.21%	22.3 ⁸	23% ⁸	2.5% ⁸	5.4%
Total/weighted average			302.3	5.21%	22.3	100%	2.5%	5.4%
Total/weighted average			5,560.0	4.77%	13.2	98%	3.0%	100.0%

Source: CLW FY21 Results Presentation

1. Myer Melbourne, Bunnings Baldivis, Bunnings Caboolture and the Endeavour Group leased Terry Hills Tavern had not settled as at reporting date.
2. External valuation as at 30 June 2021 (REIT ownership interest).
3. Weighted by external valuation as at 30 June 2021 (REIT ownership interest).
4. Weighted by net passing income as at 30 June 2021 (REIT ownership interest). CPI is assumed at 2.6% over the forecast period.
5. Simon National Carriers, Carole Park had not settled as at the reporting date.
6. Review is the lower of 2 x CPI and 2.5%.

Appendix 5 – Benchmarking of management fees

Listed A-REITs – Management Fees

Fund Name	Sector Focus	Base Management Fee % GAV ¹	Other Costs % GAV ¹	Total Recurring % GAV ¹	Performance Fees %	Performance Benchmark
Charter Hall Long WALE REIT	Diversified	0.45%	0.15%	0.60%	0%	No performance fees
APN Industrial REIT	Industrial	0.50%	0.14%	0.64%	0%	No performance fees
WOTSO Property	Office	0.75%	0.59%	1.34%	2% of gross revenue < benchmark. 5% of gross revenue > benchmark	Sales > \$20m
Australian Unity Office Fund	Office	0.55%	0.23%	0.78%	0%	No performance fees
BWP Trust	Retail (Bunnings)	0.55%	0.05%	0.60%	0%	No performance fees
Charter Hall Retail REIT	Retail	0.40%	0.40%	0.80%	5% > Benchmark	> Retail Property Trust
APN Convenience Retail REIT	Retail	0.65%	0.03%	0.68%	15% > 2% nominal outperformance p.a.	Accumulation Index (since 2004)
Charter Hall Social Infrastructure REIT	Social Infrastructure	0.50%	0.39%	0.89%	0%	No performance fees
Low		0.40%	0.03%	0.60%	0.00%	No performance fees
High		0.75%	0.59%	1.34%	0.00%	No performance fees
Median		0.53%	0.19%	0.73%	0.00%	No performance fees
Mean		0.54%	0.25%	0.79%	0.00%	No performance fees

Annexure A: Independent Expert's Report



Unlisted Wholesale Funds – Management Fees

Fund Name	Sector Focus	Base Management Fee			Total Recurring % GAV ¹	Performance Fees %	Performance Benchmark
		% GAV ¹	Other Costs % GAV ¹	% GAV ¹			
SCA Property Group SURF 1	Retail	0.70%	0.20%	0.90%	20%	>10% IRR	
APN Nowra Property Fund	Retail	1.00%	0.20%	1.20%	30%	>7.5% IRR	
Newmark Hardware Trust	Retail (Bunnings)	0.60%	0.20%	0.80%	15%	>10% IRR	
Haben Cleveland SC Fund	Retail	0.40%	0.20%	0.60%	20%	>10% IRR	
PrimeWest Agricultural Trust	Agriculture	0.50%	0.21%	0.71%	20%	>8% IRR	
Centuria Healthcare Property Fund	Healthcare	0.80%	0.35%	1.15%	20%	>8% IRR	
Australian Unity Diversified Property Fund	Diversified	0.65%	0.20%	0.85%	20%	>10% IRR	
Cromwell Direct Property Fund	Diversified	0.60%	0.20%	0.80%	20%	> IPD Unlisted Retail Property Fund Core Index	
GDI No. 46 Property Trust	Retail (Car dealerships)	0.65%	0.20%	0.85%	20%	>10% IRR	
MPG Regional Cities Property Trust	Diversified	0.55%	0.20%	0.75%	15%	>10% IRR	
KMPF Property Thynne Street Property Fund	Office	0.65%	0.23%	0.88%	20%	>8% IRR	
Low		0.40%	0.20%	0.60%	15.00%	7.50%	
High		1.00%	0.35%	1.20%	30.00%	10.0%	
Median		0.65%	0.20%	0.85%	20.00%	10.0%	
Mean		0.65%	0.22%	0.86%	20.00%	9.2%	

Appendix 6 – Market evidence

Comparable companies

The following table sets out the trading multiples for the comparable companies, as at the latest reporting date.

Comparable Companies Analysis¹

A-REIT	Management Basis	Premium to NTA	3 Year Distribution CAGR	Dividend Yield				Operating Earnings Multiple			
				FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24
Diversified											
Mirvac Group	Internal	11.2%	6.1%	3.3%	3.5%	3.8%	4.0%	20.7x	19.2x	17.6x	17.0x
Stockland	Internal	19.8%	4.7%	5.2%	5.6%	5.8%	6.0%	14.4x	13.6x	13.1x	12.4x
GPT Group	Internal	(9.9%)	11.8%	3.8%	4.6%	5.1%	5.3%	33.5x	17.6x	15.8x	15.1x
Charter Hall Long WALE REIT	External	1.1%	3.6%	5.5%	5.9%	6.1%	6.1%	20.9x	17.1x	16.4x	16.4x
Growthpoint Properties Australia	Internal	1.2%	3.4%	4.7%	4.9%	5.1%	5.2%	16.4x	15.8x	15.5x	15.3x
Abacus Property Group	Internal	6.4%	4.8%	4.6%	4.8%	5.1%	5.3%	22.3x	18.9x	18.2x	17.2x
Industrial											
Centuria Industrial REIT	Internal	(1.3%)	2.5%	4.6%	4.6%	4.8%	4.9%	25.7x	20.6x	19.5x	18.9x
APN Industria REIT	External	11.4%	2.6%	5.1%	5.1%	5.2%	5.5%	26.4x	18.6x	17.6x	n/a
Office											
Dexus	Internal	(2.4%)	3.1%	4.6%	4.8%	4.9%	5.1%	16.7x	16.2x	15.5x	14.8x
Centuria Office REIT	Internal	(0.8%)	1.7%	6.8%	6.8%	7.0%	7.2%	14.1x	13.6x	12.8x	12.2x
Large format retail											
BWP Trust	External	29.8%	1.9%	4.3%	4.3%	4.4%	4.5%	n/a	25.1x	23.7x	22.5x
Waypoint REIT Limited	External	3.3%	3.2%	5.3%	5.6%	5.6%	5.8%	18.6x	17.9x	17.6x	17.0x
Aventus Group	Internal	27.9%	4.6%	5.0%	5.3%	5.5%	5.7%	17.8x	17.1x	16.2x	15.6x
Convenience retail											
Charter Hall Retail REIT	External	4.0%	4.3%	5.6%	5.7%	6.2%	6.3%	15.4x	14.8x	14.3x	14.0x
Social infrastructure											
Charter Hall Social Infrastructure REIT	External	18.2%	2.5%	4.5%	4.4%	4.6%	4.8%	24.1x	22.2x	20.8x	20.3x
Pubs											
Hotel Property Investments	Internal	10.4%	4.3%	5.3%	5.7%	5.9%	6.0%	20.3x	16.7x	n/a	n/a

Source: S&P Capital IQ, Company financial statements; Kroll analysis

Note:

- Based on financial data as at 26 October 2021, except for CLW, which has been prepared on a standalone basis, with financial data released as at 17 September 2021, the last trading day prior to the announcement of the Proposal.

Diversified REITs

Mirvac

Mirvac Group (Mirvac) is an internally managed diversified A-REIT. Mirvac has approximately \$25 billion AUM including \$12.7 billion in passive invested capital, \$2.0 billion in active invested capital and \$9.9 billion of external assets and third-party funds under management. Mirvac's passive investment portfolio includes office (61%), retail (25%), industrial (9%), build-to-rent properties (3%) and other (2%). Mirvac's investment portfolio is geographically diverse with properties in NSW (63%), Queensland (10%), Victoria (20%), the ACT (3%) and WA (4%). As at 30 June 2021, the office portfolio had occupancy of 95.5%, a WALE of 6.3 years and WACR of 5.14%, the retail portfolio had average occupancy of 98% and WACR of 5.47% and the industrial portfolio had occupancy of 100%, a WALE of 7.4 years and a WACR of 4.78%. The active investment portfolio comprises residential development inventory and commercial and mixed use inventory. Mirvac has a substantial \$28 billion development pipeline including residential (56%), office (32%), industrial (7%) and build to rent (5%). Development contributes 56% of total revenue. Third party funds management included office (82%), retail (10%), industrial (5%) and other (3%). Its premium to NTA likely reflects its third party funds management activities and substantial residential and other development pipeline.



Stockland Corporation Ltd

Stockland Corporation Limited (Stockland) is an internally managed A-REIT that is engaged in investment, management and development of properties across a range of sectors. Stockland's \$14.8 billion property investment portfolio is diversified across retail town centres (38%), logistics (25%), workplace (7%), residential communities (24%) as well as retirement living communities and recently, land lease communities. Its retail town centres have average occupancy of 99.1%, a WALE of 5.3 years and WACR of 6.1%. Its logistics assets have occupancy of 98.0%, a WALE of 4.6 years and a WACR of 4.8%. The workplace properties have average occupancy of 91.7%, a WALE of 2.5 years and a WACR of 5.6%. It has a \$33 billion development pipeline including logistics (\$5.5 billion), workplace (\$3.9 billion), residential (\$21 billion) and land lease (\$3.0 billion). Its premium to NTA likely reflects its substantial development pipeline and exposure to the residential property sector.

GPT Group

GPT Group (GPT) is an internally managed diversified A-REIT. It has \$25.3 billion of AUM comprising a \$14.8 billion investment property portfolio and \$13.5 billion in third party funds management. The investment portfolio includes office (39%), retail (38%) and logistics (23%) properties and is located in NSW (51%), Victoria (37%), Queensland (10%) and Northern Territory (2%). As at 30 June 2021, the investment portfolio had an average occupancy of 95.6%, WALE of 4.8 years and WACR of 4.85%. It has a \$4.9 billion development pipeline comprising office (71%) and logistics (29%). GPT's third party funds management platform includes the \$9.3 billion GPT Wholesale Office Fund, \$3.9 billion GPT Wholesale Shopping Centre Fund and \$0.3 billion GPT QuadReal Logistics Trust. Its discount to NTA likely reflects its exposure to specialist retail tenants, which have been adversely impacted by lockdowns during the COVID-19 pandemic.

Growthpoint Properties Australia

Growthpoint Properties Australia (Growthpoint) is an internally managed A-REIT. Its \$4.5 billion property portfolio comprises 55 properties in the office (67%) and industrial (33%) sectors. As at 30 June 2021, the portfolio had an average occupancy of 97%, a WALE of 6.2 years and a WACR of 5.2%. Growthpoint's properties by value are located in Victoria (29%) Queensland (26%) NSW (25%) South Australia (8%) Western Australia (8%) and the ACT (4%). Growthpoint's relatively low gearing and balanced debt maturity profile with available undrawn debt suits their long-term investment and acquisition strategy.

Abacus Property Group

Abacus Property Group (Abacus) is an internally managed diversified A-REIT with a \$4.3 billion investment portfolio. The investment property portfolio is primarily comprised of office (44%), retail and other (10%), self-storage (46%). As at 30 June 2021, Abacus' property included assets located in NSW (35%), Victoria (23%), Queensland (22%), the ACT (7%), South Australia (3%), Western Australia (3%) and New Zealand (7%). Occupancy rates for the portfolio were 92.7% for retail, 95.5% office and 90.9% for self-storage. Retail and office properties had a WALE of 5.4 and 3.9 years, respectively. The portfolio has a WACR of 5.65%. Abacus has made a number of acquisitions in FY21 including the remaining 75% of its Storage King operating platform in November 2020. As a result, its FY and FY+1 OEPS multiples are overstated. Abacus has over 70,000 sqm identified for short to medium-term developable self-storage opportunities with estimated returns of 8.0% of invested capital.

Industrial REITs

Centuria Industrial REIT

Centuria Industrial REIT (CIP) is an internally managed A-REIT. As at 30 June 2021, CIP's property portfolio was valued at \$2.9 billion and is Australia's largest domestic industrial A-REIT. CIP's portfolio is located in NSW (26%), Queensland (26%), South Australia (2%), Victoria (38%), the ACT (1%) and Western Australia (7%). The portfolio has average occupancy of 96.9%, a WALE of 9.6 years and a WACR of 4.54%. During FY21, CIP made \$1 billion of acquisitions. CIP has a diverse exposure to industrial sub-sectors, with assets in manufacturing (29%), distribution centres (29%), transport logistics (16%), data centres (17%), and cold storage (9%).

APN Industria REIT

APN Industria (ADI) is externally managed by Dexus. On 13 August 2021, Dexus had acquired the previous external management firm, APN Property Group, and will soon be rebranded as Dexus Industria REIT. As



at 30 June 2021, ADI's \$1.1 billion investment portfolio was comprised of 67% industrial and logistics and 33% business parks. ADI's investment portfolio consists of the 30 wholly-owned properties that are located in Victoria (50%), Queensland (26.7%), South Australia (13.3%) and NSW (10%). ADI's portfolio has an average occupancy rate of 98%, a WALE of 5.4 years and WACR of 5.78%.

Office REITs

Dexus

Dexus is an internally managed A-REIT with a primary focus on office assets. At 30 June 2021, Dexus had \$42.5 billion AUM comprising a \$25.0 billion funds management portfolio and investment property portfolio of \$17.5 billion. The investment portfolio is comprised of office (83%) and industrial (17%) properties. The office portfolio is largely prime grade office space (94%) and is heavily weighted to the Eastern Seaboard, including NSW (60%), Victoria (20%) and QLD (13%). The office portfolio has occupancy of 95.2%, a WALE by income of 4.6 years and. It has a \$14.6 billion development pipeline.

Centuria Office REIT

Centuria Office REIT (COF) is an internally managed A-REIT that is focused quality Australian office assets. As at 30 June 2021, COF's portfolio value was \$2.0 billion across 22 assets. COF's assets are located in NSW (25%), Queensland (23.6%), Victoria (17.6%), the ACT (16.7%), Western Australia (14.2%) and South Australia (2.9%). COF has an average occupancy of 93.1%, a WALE of 4.3 years and a WACR of 5.81%. COF has strong tenancies, with State and Federal governments representing approximately 27% of gross income. COF also currently has no to low exposure to markets with weak office tenant demand, including Sydney CBD, Brisbane CBD, Perth, and Adelaide.

Large Format Retail REITs

BWP Trust

BWP Trust (BWP) is an externally managed A-REIT that invests in large format commercial properties that are primarily underpinned by leases with The Bunnings Group Limited (Bunnings). BWP is externally managed by BWP Management Limited (BWP Management). Bunnings and BWP Management are wholly-owned subsidiaries of Wesfarmers Limited. As at 30 June 2021, BWP's portfolio was valued at \$2.6 billion with 65 of the 74 properties being standalone retail Bunnings Warehouses or Bunnings Warehouses with additional showrooms. BWP's portfolio is located nationally, with 80% being metropolitan based and 20% regionally based. The portfolio has occupancy of 97.8%, a WALE of 4.2 years and a WACR of 5.65%. BWP trades at a premium to NTA, which likely reflects its high occupancy rates, long term lease profile (10-15 years followed by a number of optional five or six year renewals), and the security of its income stream. Where properties have been vacated by Bunnings, this represents attractive alternate use sale opportunities for supermarkets, shopping centres, commercial and residential developments as well as strong underlying land values.

Waypoint REIT

Waypoint REIT (Waypoint) is externally managed by VER Limited. It is Australia's largest listed REIT that solely owns fuel and convenience retail assets. Waypoint currently manages 427 properties valued at \$2.9 billion, which is underpinned by Viva Energy Australia (Viva) who contribute 96.7% of total tenant income. Viva supplies approximately one-quarter of Australia's downstream fuel market and has sole right to operate the Shell brand for retail sale of fuel in Australia. By value, Waypoint's assets are located in NSW (31.9%), Victoria (29.8%), Queensland (19.7%), Western Australia (9.4%), South Australia (4.5%), Tasmania (1.6%), the ACT (2.2%) and Northern Territory (0.9%). Waypoint's future income and growth is relatively predictable due to a strong occupancy rate of 99.9%, a staggered lease profile with average portfolio WALE of 10.5 years and 91% of income being secured by NNN leases. Waypoint is heavily reliant on the fuel industry, meaning that Australia's slow electric vehicle take-up is beneficial for medium to long term income. The portfolio has a WACR of 5.37%.

Aventus Group

Aventus Group (Aventus) is an internally managed A-REIT which is a leading owner, developer and manager of Large Format Retail assets. Aventus has a \$2.3 billion property portfolio and is the largest large format retail landlord in Sydney, with coverage of 43% of the Sydney catchment. The portfolio is located in NSW (56%), QLD (19%), VIC (17%), SA (5%) and WA (3%). The portfolio had an occupancy rate of 98.8%,



a WALE (by income) of 3.7 years and a WACR of 6.01%. Aventus has a significant available landbank of 1.2 million sqm. These factors likely influence its substantial premium to NTA.

Convenience Retail REITs

Charter Hall Retail REIT

Charter Hall Retail REIT (CQR) is an externally managed A-REIT focused on providing high quality convenience and long WALE convenience retail assets weighted to large, well-known retailers including Wesfarmers, bp, Coles and Woolworths, which accounted for 53.5% of CQR's FY21 portfolio income. As at 30 June 2021, CQR held 50 shopping centres and 296 long WALE retail assets valued at \$3.6 billion. CQR's portfolio is located in NSW (44%), QLD (16%), WA (14%), VIC (12%), SA (7%), New Zealand (5%) and the ACT (2%). As at 30 June 2021, the portfolio had occupancy of 98.3%, a WALE of 7.5 years and a WACR of 5.81%.

Social Infrastructure REITs

Charter Hall Social Infrastructure REIT

Charter Hall Social Infrastructure REIT (CQE) is an externally managed A-REIT predominately comprised of Early Learning Centres and childcare assets (86%) along the Eastern Seaboard (87%). CQE's investment strategy is to provide secure income and capital growth through quality tenants, acquiring properties with strategic locations with high underlying land values and through strategic NNN lease structures. As of 30 June 2021, CQE held 341 operating properties valued at \$1.4 billion with an occupancy rate of 100% and a WALE of 15.2 years. The childcare assets had a passing yield of 5.7%. During FY21, CQE acquired two properties worth a combined \$202.5 million, with the aim of increasing weighting to larger scale assets with high quality tenants and divesting smaller, non-core assets. It's premium to NTA value reflects the strong demand for properties in this sector, with limited competition and low substitution risk driving high tenancy rates, as well as development activities.

Pubs/Hotels REITs

Hotel Property Investments

Hotel Property Investments (HPI) is an internally managed A-REIT that owns a portfolio of 54 freehold hotels and associated specialty tenancies valued at \$952.5 million. HPI's portfolio is concentrated in QLD (88.9% of the portfolio). It has two key tenants being Queensland Venue Company (QVC) and ALH, which together contribute approximately 93% of HPI's income from leased pubs. HPI's portfolio has a 100% occupancy rate, a WALE of 10.8 years and a WACR of 5.95%. Due to the concentration of the portfolio in QLD, HPI has not been overly impacted by the COVID-19 pandemic with a majority of their hotels operating as normal. However, in May 2020, the HPI Group agreed to defer a portion of rent payable by the HPI Group's principal tenant, Queensland Venue Company, totalling approximately \$7.1 million (excluding GST) that would otherwise be payable between April 2020 and September 2020. The deferred rent will be repaid between February 2021 and June 2022. As at 30 June 2021 the rent deferred under this agreement was \$5.7 million excluding GST.



Comparable transactions

The following table sets out a summary of transactions that have taken place since 2009 involving A-REITs.

Comparable Transactions Analysis

Announcement Date	Target	Management Basis ¹	Consid- (\$ million)	Premium/ (discount) to NTA ²	Exit Yield		Premium/ (discount) to VWAP ³
					Historical	Forecast	
Oct 2018	Asia Pacific Data Centre Group	I	162.8	-	5.0%	n/a	10.8%
Sep 2018	Propertylink	I	723.3	11.7%	6.1%	6.1%	13.1%
May 2018	Investa Office Fund	E	3,081.0	(5.9%)	3.9%	3.9%	16.0%
May 2017	Generation Healthcare REIT	E	507.5	39.5%	3.9%	3.9%	13.3%
Apr 2017	Centuria Urban REIT	E	27.2	0.4%	9.1%	8.1%	n/a
Mar 2017	Brookfield Prime Property Fund	E	310.0	(2.5%)	2.9%	n/a	16.0%
Jun 2016	GPT Metro Office Fund	E	321.3	8.2%	6.1%	6.2%	21.4%
Sep 2015	The Aspen Group	E	149.8	33.0%	6.3%	6.3%	n/a
Jun 2015	Novion Property Group	I	8,045.5	29.4%	5.3%	5.4%	15.7%
Mar 2015	Australian Industrial REIT	E	203.3	10.8%	8.3%	8.7%	6.9%
Nov 2014	Folkestone Social Infrastructure	E	70.2	14.0%	6.5%	6.1%	15.4%
Oct 2014	Mirvac Industrial Trust	E	77.6	16.1%	n/a	n/a	22.8%
Jun 2014	Australand Property Group	I	2,606.5	21.7%	4.7%	n/a	14.6%
Apr 2014	Challenger Diversified Property	E	586.6	1.1%	6.7%	6.8%	6.4%
Dec 2013	Commonwealth Property Office	E	2,910.0	5.2%	5.3%	5.0%	14.8%
Apr 2012	Thakral Holdings Ltd	I	507.0	(15.6%)	n/a	n/a	32.3%
Jan 2012	Charter Hall Office REIT	E	1,228.4	(3.9%)	n/a	3%-6.5%	22.9%
Jan 2012	Abacus Storage Fund	I	132.0	(8.2%)	7.4%	n/a	n/a
Apr 2011	Valad Property Group	I	209.0	(22.1%)	n/a	n/a	52.0%
Apr 2011	Rabinov Property Trust	E	50.0	(4.3%)	10.0%	8.6%	35.8%
Dec 2010	ING Industrial Fund	E	1,395.0	(1.5%)	3.0%	6.0%	11.9%
Jul 2010	MacarthurCook Industrial Fund	E	43.3	(32.1%)	4.1%	4.1%	46.7%
Apr 2010	Westpac Office Trust	E	417.0	3.1%	7.7%	7.7%	14.2%
Oct 2009	Mirvac Real Estate Trust	E	373.0	(29.9%)	5.5%	5.5%	56.0%

Source: S&P Capital IQ, Company financial statements; Kroll analysis

Notes:

1. Dividend yield forecasts are based on broker consensus forecast available from S&P Capital IQ, management disclosures and forecasts, and other publicly available information.
2. NTA from the last financial report for each target entity.
3. One-month VWAP prior to the announcement of the transaction or notable corporate activity.
4. "I" denotes internally managed REITs, while "E" denotes externally managed REITs.

Acquisition of Asia Pacific Data Centre Group by NEXTDC Limited

On 8 October 2018, NEXTDC Limited (NEXTDC) announced it had entered into a bid implementation agreement to acquire Asia Pacific Data Centre Group (APDC). APDC is made up of stapled securities between Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Trust. APDC securityholders were to receive cash of \$2.00 per security and a special distribution of \$0.02 per security, together being equivalent to APDC's 30 June 2018 NTA. APDC's held three data centres valued at \$261 million which were all subject to long-term leases with NEXTDC.

Acquisition of Propertylink by ESR Real Estate

On 21 September 2018, Propertylink announced it had received an initial non-binding indicative offer from ESR Real Estate (ESR) to acquire all Propertylink securities. On 16 October 2018, Propertylink announced it had increased its initial offer from \$1.15 to \$1.20 cash per security. The offer represented a compelling premium to Propertylink's 30 June 2018 pro forma premium to NTA of 11.7%. Propertylink is an internally managed A-REIT and at 30 September 2018 had approximately \$1.9 billion AUM. Propertylink's portfolio consisted of 31 properties and had an average occupancy rate of 97.5% and a WALE of 3.9 years.



Acquisition of Investa Office Fund by Blackstone Group L.P.

On 5 April 2018, the responsible entity of Investa Office Fund (IOF) announced that it has received an unsolicited, confidential, indicative and non-binding proposal to acquire IOF for consideration of \$5.05 per IOF unit, which was subsequently increased to \$5.25 per unit (\$5.1485 excluding the distribution declared). IOF is an externally managed A-REIT and as at 30 September 2018 held 20 commercial office buildings across Australia. The relatively low premium to NTA potentially reflects the belief that office real estate valuations were nearing a peak in the office property cycle.

Acquisition of Generation Healthcare REIT by Northwest Australia

On 5 May 2017, Northwest Australia (Northwest) entered into a bid implementation deed with Generation Healthcare REIT (Generation). Generation is an externally managed A-REIT with a concentration of property within the healthcare sector, including hospitals, residential aged care homes, and medical centres. The portfolio also had a development pipeline valued at \$110.3 million. Generation had a WALE of 12.1 years and an occupancy of 98.7%. The offer incorporated a substantial premium to NTA, in order to reflect the strong outlook in the healthcare sector and Generation's strong development pipeline. The low yield reflects the high occupancy, low distribution payout ratio, the stage of the property cycle, and the long WALE present in the portfolio.

Merger of Centuria Urban REIT and Centuria Metropolitan REIT

On 3 March 2017, Centuria Property Funds (CPF) announced it had entered into a scheme implementation agreement with Centuria Property Funds Limited, the responsible entity of Centuria Metropolitan REIT (CMA). This would see CPF acquire all CMA issued units. The scheme entitled CUA securityholders to 0.88 CMA units and a \$0.23 cash consideration per CUA unit. CUA is an externally managed REIT concentrated on Australian A-grade suburban and B-grade CBD office real estate. Before the merger, CUAs portfolio contained three A-grade suburban office properties, two of which are in Brisbane and one in Melbourne. At 31 December 2016, CUA had a WALE of 4.6 years and an average occupancy of 99.2%. The restrained premium to NTA reflects the passive and external management of the A-REIT. Implied yields are high, reflecting the portfolio's small scale, relatively short WALE, and a high distribution payout ratio.

Acquisition of Brookfield Prime Property Fund by Brookfield BPPF Investments Trust

On 7 April 2017, Brookfield Prime Property Trust (BPA) announced it had entered into an implementation deed with Brookfield BPPF investments Trust (Brookfield) to buy the remaining 19.4% of units in BPA that were not currently owned by the Brookfield Group. The cash consideration was \$8.89 per remaining unit of BPA, less distributions paid or payable on or after 28 March 2017. BPA is an externally managed A-REIT with a portfolio focused on office properties. The portfolio consisted of four A-grade office buildings in Perth and Sydney CBDs. At 31 December 2016, BPA's portfolio was valued at \$707 million, had a WALE by income of 4.7 years, and an occupancy rate of 91%. The adjusted offer price of \$8.815 per unit reflected a 2.5% discount compared to adjusted NTA (adjusted for March 2017 valuations) and a premium of 16% to the one-month VWAP of \$7.59 per unit to 6 April 2017. The discount to NTA represented its passive, externally managed nature. Implied yields were low, representing its low distribution payout ratio, as well as its high management fees.

Acquisition of GPT Metro Office Fund by Growthpoint Properties Australia

On 3 March 2016, GPT Platform Limited, the responsible entity of GPT Metro Fund (GMF) received a non-binding proposal from Growthpoint Properties Australia (Growthpoint) to acquire all outstanding GMF units via a trust scheme. On 4 April 2016, GMF announced it had undertaken an independent revaluation of their property portfolio that resulted in a 6.4% increase in value, resulting in Growthpoint withdrawing their offer. On 5 May 2016, Growthpoint made a revised offer for all GMF units via scrip at 0.3756 per Growthpoint security plus \$1.185 cash per GMF unit. The consideration had a mid-point value of \$2.52, which represented an 8.2% premium to NTA at 30 June 2016. A 21.4% premium when compared to the closing price on 1 April 2016 and the one-month VWAP. GMF is an externally managed A-REIT comprised of six A-grade metropolitan and business park office properties. At 30 June 2016, the GMF had a WALE by income of 5.5 years and an occupancy of 94.9%. The high premium to NTA, even with its passive management, represented the competitive bidding environment as well as occurring at a time where A-REITs were trading above NTA.



Acquisition of Aspen Parks Property Fund by Discovery Centres

On 14 September 2015, Aspen Parks Property Fund (Aspen Parks) and Aspen Group announced that they were entering into a merger implementation deed. The merger of the two entities would result in creating a quadruple stapled group via a scrip and cash transaction. Following this offer, Discovery Parks Group (Discovery) made two unsolicited takeover bids for the fund. On 23 December 2015, Discovery received notices of acceptance from 90% of unit holders. At the time of the offer, Aspen Parks owned 26 holiday parks with a book value of \$190 million. Aspen Parks portfolio consisted of cabins, camping grounds, caravan parks and self-contained facilities. The substantial premium to NTA represents the competitive bidding process and the positive sentiment of A-REITs at the time.

Merger of Novion Property Group and Federation Centres

On 3 February 2015, Novion Property Group (Novion) announced their intention enter into a merger implementation agreement (the Merger) with Federation Centres. The terms of the Merger allowed for Novion unit holders to own 64% of the merged entity upon completion of the deal. Novion is a listed, internally managed retail property group that is stapled with Novion Limited and Novion Trust. At the time of the announcement, Novion had \$14.9 billion retail AUM, which included a \$9.1 billion investment property portfolio and a \$5.7 billion in third party funds management. The transaction had a high premium to NTA, representing the positive outlook for A-REITs and Novion's third party funds management capabilities at the time.

Acquisition of Australian Industrial REIT by 360 Capital Industrial Fund

On 18 December 2014, Fife Capital Funds Limited (Fife Capital), the responsible entity for Australian Industrial REIT (ANI) received an indicative proposal from 360 Capital, the responsible entity for 360 Capital Industrial Fund (360 Industrial). The indicative proposal from 360 Capital was a non-binding offer to acquire 100% of ANI units via a trust scheme. On 19 December 2014, 360 Capital disclosed to the market its unsolicited takeover offer of ANI. The key terms of this offer were for 0.89 units in 360 Industrial plus 3 cents per ANI unit if prior to the offer period lapsing a member of the 360 Capital Group was appointed the responsible entity of ANI or greater than 50% of the ANI unitholders accepted the offer terms. On 24 March 2015, 360 Capital increased their offer to 0.9 units of 360 Industrial plus 4.5 cents for each ANI unit plus 10 cents cash. As at 31 December 2014, ANI had 16 industrial properties, valued at \$320.4 million. The material premium to NTA likely represented the improved consideration, positive outlook of the A-REIT at this time and potential to further develop ANI's existing portfolio.

Acquisition of Folkestone Social Infrastructure Trust with Folkestone Education Trust

On 13 November 2014, Folkestone Real Estate Management Limited, the responsible entity of Folkestone Social Infrastructure Trust (FST), announced a merger with Folkestone Education Trust (FET). Terms of the merger were for the transaction to occur via a trust scheme whereby FET would acquire 100% of FST's units in both cash and scrip. The consideration for the transaction was \$0.675 cash per FST unit and 1.32 units in FET for every FST unit held. FST's investment property portfolio was weighted towards early education, government, and healthcare sectors.

Acquisition of Mirvac Industrial Trust by AustFunding Pty Ltd

On 19 September 2014, it was announced Mirvac Industrial Trust (MIX) and AustFunding Pty Limited (AustFunding) had entered into an agreement whereby AustFunding would acquire all units of MIX in cash via a trust scheme. The announcement was made by Mirvac Funds Management Limited (MFML) who is the responsible entity of MIX. MIX's property portfolio was primarily focused on industrial property located in the greater metropolitan region of Chicago, USA. At 30 June 2014, MIX's reported gross assets were \$192.0 million.

Acquisition of Australand Property Group by Frasers Centrepoint Ltd

On 4 June 2014, Australand Property Group (Australand) announced it had received a conditional proposal from Frasers Centrepoint Limited (Frasers) to acquire 100% of Australand's stapled securities via an off-market takeover offer. The offer consideration was for Australand security holders to receive \$4.48 per stapled security up to a total of \$2.6 billion. Australand is a diversified A-REIT with their portfolio primarily based along the Eastern Seaboard which focuses on investment in income producing office and industrial properties and development of commercial, industrial and residential properties. Australand had a large development pipeline and this transaction was subject to a competitive bidding process, resulting in the premium to NTA achieved.



Acquisition of Challenger Diversified Property Group by Challenger Life Company Ltd

On 11 April 2014, Challenger Diversified Property Group (CDI) received an offer from Challenger Life Nominees Pty Ltd as trustee of Challenger Australia Listed Property Holding Trust. It was announced that this offer was in form of an off-market takeover for all units of CDI at \$2.74 per unit, in cash. The offer allowed unitholders to realise their investment at a premium to NTA. CDI is a diversified REIT with investments across Australia and France across the industrial, office and retail sectors with total value of \$888 million.

Acquisition of Commonwealth Property Office Fund by Dexus and CPPIB

On 11 December 2013, Dexus and CPPIB announced their intention to make an off-market bid to acquire all Commonwealth Property Office Fund (CPA) issued units. The offer was on a cash and scrip basis and valued the CPA securities at \$1.24 per unit. CPA's property portfolio consisted entirely of office assets and was valued at \$3.8 billion. CPA's average portfolio WALE and occupancy rate was 4.7 years and 95.6% respectively. The material premium to NTA reflects the competitive bidding process between Dexus and GPT as well as utilising Dexus' investment, development and management expertise in prime office assets.

Acquisition of Thakral Holdings Ltd by Brookfield Asset Management

On 19 April 2012, Brookfield Asset Management (Brookfield) announced a takeover bid of Thakral Holdings Limited (Thakral). The consideration was \$0.70 cash per stapled security, valuing Thakral at \$409.8 million. Simultaneously, Brookfield then enforced security under debentures providing Brookfield an interest of 38.6% in Thakral. Upon review of the takeover, the Thakral directors unanimously recommended that shareholders reject the offer from Brookfield as they believed the offer undervalued Thakral with a discount of 27% applied to Thakral's NTA of \$0.96. On 22 August 2012, Brookfield and Thakral entered an implementation deed for an increased offer of \$0.81 per security for 90% of Thakral securities, which completed on 11 September 2012. Thakral's portfolio included hotel, leisure, retail, and commercial properties in Australia.

Acquisition of Charter Hall Office REIT by a Consortium including Charter Hall Group

On 3 January 2012, Charter Hall Office REIT (CQO) announced it was entering into a scheme implementation agreement with a consortium that included the Charter Hall Group. Under this agreement, CQO unitholders would receive a cash consideration of \$2.49 per unit. CQO's \$1.8 billion portfolio focuses on investing in high-grade office properties. CQO held properties in NSW, Victoria, Queensland, South Australia and the ACT. The portfolio had an average occupancy of 97% and a WALE of 4.5 years.

Merger of Abacus Storage Fund with Abacus Property Group

On 13 January 2012, Abacus Property Group (Abacus) announced an intention to merge with Abacus Storage Fund (ASF) to form a single listed A-REIT by stapling both their securities together. Upon completion, pre-merge Abacus securityholders would receive one new security and each pre-merge ASF securityholder would receive 0.538 new securities in the merged entity. Abacus is a listed internally managed fund with a diversified portfolio consisting of commercial, retail, and industrial real estate. Abacus also had interests in property development, property funds management, and mortgage investments. ASF is an unlisted stapled entity and is one of the largest self-storage players in Australia. As ASF's primary income was sourced from self-storage, which can be subject to volatility due to the short-term nature of contracts in the sector. The inherent risk associated with this volatility contributed to the discount on NTA for this transaction.

Acquisition of Valad Property Group by Blackstone Real Estate Advisors

On 29 April 2011, Valad Property Group (Valad) announced it had entered into a scheme of arrangement (the Scheme) with Blackstone Real Estate Advisors LLC (Blackstone). Pursuant to the Scheme, Blackstone was to acquire Valad for \$1.80 per stapled security in cash. At 31 December 2013, Valad's portfolio was valued at \$569 million and consisted of office, industrial, bulk goods, hotel, and residential properties. Prior to the Scheme, Valad had not paid a distribution to security holders since 2008.

Acquisition of Rabinov Property Trust by Growthpoint Properties Australia

On 13 April 2011, Growthpoint Properties Australia (Growthpoint) and Rabinov Property Trust (Rabinov) jointly announced an off-market scrip-for-scrip takeover to acquire all units in Rabinov. Rabinov is a diversified and established A-REIT, with their 12 property portfolio valued at \$235 million. These properties were comprised of office space (69.8%), industrial real estate (28.3%), and retail space (2.1%).



Acquisition of ING Industrial Fund by a Consortium led by Goodman Group

On 24 December 2010, ING Management Limited the responsible entity of ING Industrial Fund (ING) entered into an implementation agreement with a Consortium including the Goodman Group. The terms of the agreement were to acquire 100% of the ordinary units in ING at \$0.546 per unit in cash by way of an informal trust scheme of arrangement. ING's portfolio consisting of industrial real estate and business parks. At 31 December 2013, ING's portfolio value was \$2.5 billion and was comprised of 61 properties.

Acquisition of MacarthurCook Industrial Property Fund by CommonWealth REIT

On 3 May 2010, it was announced that MacarthurCook Industrial Property Fund (Macarthur) had received a proposal from CommonWealth REIT (CWH), a publicly traded U.S. REIT. On 12 July 2010, Macarthur received a revised proposal from CWH which increased the cash consideration from the original proposal from \$0.41 per unit to \$0.44 per unit (a 7.3% increase). At 30 June 2010, Macarthur's portfolio held 10 properties and was valued at \$106.1 million.

Acquisition of Westpac Office Trust by Mirvac Group

On 28 April 2010, Westpac Office Trust (WOT) announced that it had entered into a scheme implementation agreement with Mirvac Group. Mirvac's offer included acquiring all units and instalment receipts of WOT for \$0.86 per unit. Under the offer, WOT unit and instalment receipt holders were able to elect receiving their consideration via cash or scrip. As at 31 December 2009, WOT's held 7 properties valued at \$1.1 billion, with a WALE of 8.7 years.

Acquisition of Mirvac Real Estate Investment Trust by Mirvac Group

On 12 October 2009, Mirvac Real Estate Investment Trust (MRZ) announced that it had entered into a merger implementation deed with the Mirvac Group (Mircvac) to acquire all MRZ units. The proposal was executed by way of a trust scheme. Securityholders were eligible to elect to receive 100% scrip consideration or a mix of cash and scrip consideration. At 30 June 2009, MRZ's diversified portfolio was valued at \$1.0 billion and have a WALE of 4.8 years. At the time of merger announcement, MRZ was suffering from financial distress.

Part Two – Financial Services Guide

What is an FSG?

This Financial Services Guide ("FSG") is an important document that provides you with information to help you decide whether to use our financial services.

This FSG contains information on:

- who we are;
- who our authorised representatives are;
- how we can be contacted;
- certain financial services that we can offer you;
- how we, our authorised representatives and other parties involved in providing the financial services are paid in relation to the financial services we offer; and
- details of how you can make a complaint about us or the financial services we provide.

Who we are?

Duff & Phelps Australia Pty Ltd. (ACN 116 738 535), trading as Kroll, ("We", "us" and "Kroll") is authorised to provide retail financial services on behalf of Millinium Capital Managers Limited (ACN 111 283 357) ("Millinium"), Australian Financial Services License ("AFSL") no. 284336, as a Corporate Authorised Representative ("CAR"). We have also appointed Mr. Ian Jedlin as an authorised representative to Millinium's AFSL (our "Authorised Representative"). All authorised representatives of Kroll are authorised representatives of Millinium. We aim to provide quality financial products and services to investors. Kroll acts on its own behalf when providing financial services.

Kroll has been engaged by Australian Leisure and Entertainment Property Trust ("ALE") to prepare an independent expert's report ("Report") in connection with the proposed takeover of ALE Group. ALE Group will provide our Report to you.

Our details

Duff & Phelps Australia Pty Ltd. (trading as Kroll)
Level 32, 85 Castlereagh St
SYDNEY
NSW 2000
www.kroll.com
Ph: 02 8286 7200

Our Authorised Representative

Ian Jedlin
ASIC authorised representative: No. 000404117
Level 32, 85 Castlereagh St, SYDNEY, NSW 2000

Authorised Financial Services

Kroll is authorised by Millinium to provide the following financial services as their CAR:

- provide financial product advice in respect of the following classes of financial products:
 - interests in managed investment schemes including investor directed portfolio services; and
 - securities,
- with respect to retail clients and wholesale clients.

This FSG only relates to the provision of general advice by Kroll.

Personal Advice

Neither we nor our authorised representatives can provide you with personal advice. Personal advice is advice that takes into account your objectives, financial situation and needs. Where you are referred to a financial planner for personal advice, they will make reasonable enquiries to understand your personal objectives, financial situation and needs. Their personal advice, and any relevant warnings, will be provided to you in their Statement of Advice ("SOA").

Remuneration

Kroll charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay Kroll \$350,000 (excluding GST and out of pocket expenses) for preparing the Report. Kroll and its officers, representatives, related entities and associates ("Personnel") will not receive any other fee or benefit in connection with the provision of the Report. All Personnel that provide general advice on our behalf in providing services are on contract to us and receive a salary or payments in accordance with their respective contracts. They may also receive a bonus, but it is not related to the general advice provided in the Report.

Kroll may provide professional services, including consultancy, business intelligence, transfer pricing and financial advisory services, to the person who engaged us and receive fees for those services Kroll and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

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.

Complaint Redressal

If you have a complaint, please let either Kroll or the Authorised Representative know. Formal complaints should be sent in writing to Complaints Officer, Kroll, Level 32, 85 Castlereagh St, SYDNEY, NSW 2000. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 8286 7227 and they will assist you in documenting your complaint. If the complaint cannot be settled in the first instance by Kroll, you should contact Millinium via the contact details set out below:

In writing:

Dispute Resolution Officer
Millinium Capital Managers Limited
GPO Box 615
Sydney, NSW, 2000

When your complaint is received by Millinium it will be entered onto Millinium's complaints register. All details of the complaint will be sent to the Disputes Resolution Officer who will investigate the circumstances of the complaint. If the Disputes Resolution Officer is unable to reach a satisfactory resolution of the complaint within thirty (30) business days of receipt, you should contact Australian Financial Complaints Authority ("AFCA"). The details are:

In writing:

<https://www.afca.org.au/make-a-complaint>
Telephone
1300 56 55 62 (local call rate)
Email
info@afca.org.au
Website
www.afca.org.au

Please note that AFCA can currently only deal with claims for compensation up to \$1,085,000. Monetary limits and the AFCA terms of reference do change from time to time. Current details can be obtained from the AFCA website listed above.

Annexure B: Company Scheme

Scheme of Arrangement

Allens & Linklaters

Scheme of Arrangement pursuant to section 411 of the *Corporations Act 2001* (Cth)

Between

Australian Leisure and Entertainment Property Management Limited (ACN 105 275 278) of Suite 28.02, Level 28, 264-278 George Street, Sydney, NSW 2000 (**Target**).

And

Each holder of ALE Securities recorded in the ALE Register as at the Record Date (each an **ALE Scheme Securityholder** and together the **ALE Scheme Securityholders**).

Recitals

- A Target is a public company limited by shares incorporated in Australia, and is part of a stapled group known as 'ALE Property Group' that is listed on ASX.
- B Australian Leisure and Entertainment Property Trust (ARSN 106 063 049) (**ALE Trust**) is a registered managed investment scheme, of which Target is the responsible entity (ALE Trust together with the Target, being **ALE Property Group**). Each ALE Security comprises one Target Share stapled to one Trust Unit.
- C The Consortium Acquirer (a company incorporated in Australia) is the sole trustee of the Consortium Trust (a trust established in Australia).
- D Target, Consortium Acquirer, CLW and Hostplus have entered into a Scheme Implementation Deed dated 20 September 2021 (the **Scheme Implementation Deed**) pursuant to which:
- (a) Target has agreed to propose the Company Scheme and the Trust Scheme to the ALE Securityholders;
 - (b) each of Target and Consortium Acquirer has agreed to take certain steps to implement the Schemes; and
 - (c) CLW and Hostplus have agreed to guarantee the obligations of Consortium Acquirer.
- E The Scheme Implementation Deed contemplates that:
- (a) the Trust Scheme and the Company Scheme are inter-conditional and to be implemented at the same time; and
 - (b) the Trust Units and the Target Shares will be unstapled immediately prior to the Schemes being implemented.
- F If the Schemes become Effective, then:
- (a) all of the ALE Scheme Shares and all of the rights and entitlements attaching to them on the Implementation Date will be transferred to CHH, as the Consortium Acquirer's nominee, simultaneously with the transfer to the Consortium Acquirer of all of the ALE Scheme Units under the Trust Scheme;
 - (b) the Scheme Consideration will be provided to the ALE Securityholders in accordance with the terms of the Schemes and the Deed Poll; and
 - (c) Target will enter the name and address of the Consortium Acquirer and CHH in the ALE Register as the holders of all of the ALE Scheme Units and ALE Scheme Shares, respectively.
- G The Consortium Acquirer, CLW and Hostplus have entered into the Deed Poll for the purpose of:

- (a) the Consortium Acquirer covenanting in favour of the ALE Securityholders that it will observe and perform the obligations contemplated of it under the Schemes; and
- (b) CLW and Hostplus acting severally, covenanting that they will guarantee the Consortium Acquirer's performance of its obligations contemplated under the Schemes (subject to clause 19.1(b) of the Scheme Implementation Deed).

It is agreed as follows.

1 Definitions and interpretation

1.1 Definitions

In this document, unless the context requires otherwise:

ALE Register means the register of holders of ALE Securities maintained in accordance with the Corporations Act, and includes, for the avoidance of doubt, the register on which the Target Shares and Trust Units are recorded on or after the Unstapling.

ALE Registry means Link Market Services Limited or any replacement provider of share registry services to the Target.

ALE Scheme Shares means the Target Shares on issue as at the Record Date.

ALE Scheme Securities means all ALE Securities on issue as at the Record Date.

ALE Scheme Units means the Trust Units on issue as at the Record Date.

ALE Security means a stapled security in ALE Property Group consisting of one Target Share and one Trust Unit.

ALE Securityholder means a person who is registered on the ALE Register as a holder of ALE Securities from time to time, and, for the avoidance of doubt, includes a person who is registered on the ALE Register as the holder of Trust Units and/or Target Shares on or after the Unstapling.

ALE Trust Constitution means the constitution of ALE Trust as amended from time to time.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the ASX operated by it.

ASX Listing Rules means the official listing rules of ASX.

Available Cash Consideration means \$3.67320244469014 multiplied by the number of ALE Scheme Securities, as reduced in accordance with clause 4.8 of the Scheme Implementation Deed.

Available Scrip Consideration means such number of CLW Securities as is equal to 0.408039354484537 multiplied by the number of ALE Scheme Securities.

Business Day means any day that is each of the following:

- (a) a Business Day within the meaning given in the ASX Listing Rules; and
- (b) a day that banks are open for business in Sydney, Australia.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

CHH means Charter Hall Holdings Pty Limited (ACN 051 363 547).

CLW means Charter Hall WALE Limited (ACN 610 772 202) as responsible entity for the CLW Trusts.

CLW Registry means Link Market Services Limited or any replacement provider of share registry services to CLW.

CLW Security means a security comprising one unit in each of the CLW Trusts stapled together such that they cannot be dealt with separately.

CLW Trusts means each of LWR Finance Trust (ARSN 614 713 138) and Charter Hall Direct Industrial Fund (ARSN 144 613 641).

CLW Trust Deeds means the trust deeds of each CLW Trust (as amended from time to time).

Company Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Target and the ALE Scheme Securityholders subject to any alterations of conditions made or required by the Court under subsection 411(6) of the Corporations and agreed to in writing by the Consortium Acquirer acquires and Target.

Company Scheme Meeting means the meeting of ALE Securityholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Company Scheme, and includes any adjournment or postponement of that meeting.

Company Scheme Orders means the orders of the Court made under section 411(4)(b) of the Corporations Act (and if applicable, section 411(6) of the Corporations Act) in relation to the Company Scheme.

Consortium Acquirer means Bieson Pty Limited (ACN 110 465 168) as trustee for the CH LEP Investment Trust.

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

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction as Consortium Acquirer and Target may agree in writing.

Deed Poll means the deed poll executed on or about the date of this agreement by Consortium Acquirer and each Guarantor in favour of the ALE Scheme Securityholders.

Effective means:

- (a) in relation to the Trust Scheme, the Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act; and
- (b) in relation to the Company Scheme, the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act.

Effective Date means the date on which the Schemes become Effective.

Election has the meaning given in clause 5.2 of this Scheme.

Election Form means the election form provided with the Scheme Booklet under which each ALE Scheme Securityholder may elect to receive either Mixed Consideration, Maximum Cash Consideration or Maximum Scrip Consideration in respect of their ALE Scheme Securities.

Election Time means the date which is 5 Business Days prior to the Company Scheme Meeting (unless ASIC requires an earlier date, in which case such earlier date shall apply) or any other date agreed between the parties.

End Date means the date which is six months from the date of the Scheme Implementation Deed, or such later date as the Consortium Acquirer and Target may agree in writing.

Government Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity.

Gross Proceeds has the meaning given in clause 5.8(c).

Guarantors means CLW and Hostplus.

Hostplus means Host-Plus Pty Limited (ABN 79 008 634 704) as trustee for Hostplus Pooled Superannuation Trust (ABN 13 140 019 340).

Implementation Date means the date that is the fourth Business Day after the Record Date, or such other date as Target and Consortium Acquirer may agree in writing.

Ineligible Foreign Securityholder means an ALE Scheme Securityholder whose address, as shown in the ALE Register (as at the Record Date), is in a place outside Australia and Australia's external territories, unless Target is satisfied, acting reasonably, that the laws of that place permit the allotment and issue of CLW Securities to that ALE Scheme Securityholder pursuant to the Schemes, either unconditionally or after compliance with conditions that Target in its sole discretion regards as acceptable and not unduly onerous or impracticable.

Maximum Cash Consideration means the consideration determined in accordance with clause 5.4.

Maximum Scrip Consideration means the consideration determined in accordance with clause 5.5.

Mixed Consideration means the consideration determined in accordance with clause 5.3.

Permitted Distribution means a distribution declared or determined to be paid by the board of directors of the RE to ALE Securityholders in the ordinary course on a quarterly basis.

Permitted Distribution Amount means the amount of any Permitted Distribution per ALE Security, declared or determined pursuant to clause 4.7 of the Scheme Implementation Deed other than the distribution related to the quarter ended 30 September 2021, announced on ASX by ALE on 20 September 2021 and scheduled to be paid on 15 November 2021.

Record Date means 7.00pm on the date that is the third Business Day after the Effective Date, or such other date as may be agreed in writing between Consortium Acquirer and Target or as may be required by ASX.

Registered Address means, in relation to an ALE Scheme Securityholder, the address of that ALE Scheme Securityholder shown in the ALE Register as at the Record Date.

Sale Agent means the sale agent appointed by the Consortium Acquirer to sell the Sale Securities pursuant to clause 5.8 of this Scheme.

Sale Facility has the meaning given in clause 5.8.

Sale Securities has the meaning given in clause 5.8.

Scaleback Arrangements means the arrangements set out in clauses 5.4 and 5.5, which arrangements are for the purposes of ensuring that the aggregate cash component and the aggregate CLW Security component of the Scheme Consideration required to be provided by the Consortium Acquirer under the terms of the Schemes do not exceed the Available Cash Consideration and the Available Scrip Consideration respectively.

Schemes means the Company Scheme and Trust Scheme.

Scheme Booklet means the scheme booklet published by Target and dated on or about 28 October 2021.

Scheme Consideration means the consideration to be provided to ALE Scheme Securityholders under the terms of the Schemes for the transfer to the Consortium Acquirer and CHH (as the case may be) of their ALE Scheme Securities, being either:

- (a) the Maximum Cash Consideration;

- (b) the Maximum Scrip Consideration; or
- (c) the Mixed Consideration.

Scheme Transfer means, in relation to each ALE Scheme Securityholder, a proper instrument of transfer of their ALE Scheme Securities for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all or part of all of the ALE Scheme Securities.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Company Scheme is heard or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Supplemental Deed means the deed poll pursuant to which Target will amend the ALE Trust Constitution, to be executed by Target in the form of Schedule 5 of the Scheme Implementation Deed (or in such other form as the Consortium Acquirer and Target agree in writing).

Target Constitution means the constitution of Target as amended from time to time.

Target Share means a fully paid ordinary share in Target.

Total Cash Election Amount means the aggregate amount of cash consideration that is the subject of all Elections (or deemed Elections) in respect of Maximum Cash Consideration and Mixed Consideration by ALE Scheme Securityholders in accordance with clause 5.2 (and, for the avoidance of doubt, prior to the operation of the Scaleback Arrangements).

Total Scrip Election Amount means the aggregate number of CLW Securities that are the subject of all Elections (or deemed Elections) in respect of Maximum Scrip Consideration and Mixed Consideration by ALE Scheme Securityholders in accordance with clause 5.2 (and, for the avoidance of doubt, prior to the operation of the Scaleback Arrangements).

Trust Account means an Australian dollar denominated trust account operated by Target (or by the ALE Registry on behalf of Target) as trustee for the ALE Scheme Securityholders.

Trust Scheme means the arrangement in accordance with Guidance Note 15 under which the Consortium Acquirer acquires all of the ALE Scheme Units, facilitated by amendments to the ALE Trust Constitution as set out in the Supplemental Deed.

Trust Unit means one fully paid ordinary unit in ALE Trust.

Unstapling means the unstapling of Trust Units and Target Shares in accordance with clause 38.5 of the ALE Trust Constitution and clause 77(h) of the Target Constitution.

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) 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 is a reference to a clause of this document.

- (vi) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (vii) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.
- (viii) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).
- (ix) 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.
- (x) A reference to *dollars* or \$ is to Australian currency.
- (xi) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the Corporations Act.
- (xii) A reference to time is to Sydney, Australia time.
- (xiii) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.

2 Conditions

2.1 Conditions Precedent

- (a) The Schemes are conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent: as at 8.00am on the Second Court Date, each of the conditions precedent set out in clause 3.1 of the Scheme Implementation Deed (other than the condition precedent relating to the approval of the Court set out in clause 3.1(i) of the Scheme Implementation Deed) has been satisfied or waived in accordance with the Scheme Implementation Deed;
- (b) as at 8.00am on the Second Court Date, neither the Scheme Implementation Deed nor the Deed Poll has been terminated in accordance with its terms;
- (c) the Court makes orders approving the Company Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Consortium Acquirer and Target (each acting reasonably);
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Company Scheme as are acceptable to Consortium Acquirer and Target (each acting reasonably) have been satisfied or waived; and
- (e) both:
 - (i) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Company Scheme to come into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date; and
 - (ii) the Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.

2.2 Certificate

- (a) Target and Consortium Acquirer will each provide to the Court on the Second Court Date a certificate (or such other evidence as the Court may request) confirming (in respect of matters within their knowledge) whether or not all the conditions precedent in clauses 2.1(a) and 2.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 2.2(a) constitutes conclusive evidence that the conditions precedent in clauses 2.1(a) and 2.1(b) above were satisfied, waived or taken to be waived.

2.3 Lapsing

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 Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Target and Consortium Acquirer otherwise agree in writing.

3 Schemes becoming Effective

Subject to clause 2.2, the Schemes will take effect on and from the Effective Date.

4 Implementation of Schemes

- (a) If the conditions precedent in clause 2.1 are satisfied or waived, Target must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Company Scheme Orders as soon as practicable after, and in any event by no later than 5.00pm on the first Business Day after, the day on which the Company Scheme Orders are entered, or such other date as agreed by Target and Consortium Acquirer.
- (b) On the Implementation Date, subject to Consortium Acquirer having satisfied its obligations in clauses 5.9 and 5.10, all of the ALE Scheme Shares, together with all rights and entitlements attaching to the ALE Scheme Shares as at the Implementation Date, will be transferred to CHH, without the need for any further act by any ALE Scheme Securityholders (other than acts performed by Target or any of its directors and officers as attorney and agent for ALE Scheme Securityholders under this Scheme), by:
 - (i) Target delivering to Consortium Acquirer for execution duly completed (and, if necessary, stamped) Scheme Transfers to transfer all of the ALE Scheme Shares to CHH, duly executed by Target (or any of its directors and officers) as the attorney and agent of each ALE Scheme Securityholders as transferor under clause 8.3;
 - (ii) CHH executing the Scheme Transfers as transferee and delivering them to Target for registration; and
 - (iii) Target, immediately after receipt of the Scheme Transfers under clause 4(b)(ii), or the transfer being effected under section 1074D of the Corporations Act (as the case may be) entering, or procuring the entry of, the name and address of CHH in the ALE Register as the holder of all of the ALE Scheme Shares.
- (c) The transfer of all of the ALE Scheme Shares to CHH in accordance with clause 4(b) must occur simultaneously with the transfer to Consortium Acquirer of all of the ALE Scheme Units under the Trust Scheme and the Target must simultaneously with the actions contemplated under clause 4(b)(iii), enter, or procure the entry of, the name and

address of Consortium Acquirer in the ALE Register as the holder of all of the ALE Scheme Units.

5 Scheme Consideration

5.1 Scheme Consideration

- (a) The Scheme Consideration in respect of each ALE Scheme Security is either:
- (i) Mixed Consideration;
 - (ii) Maximum Cash Consideration; or
 - (iii) Maximum Scrip Consideration.
- (b) Each:
- (i) ALE Scheme Securityholder (other than an Ineligible Foreign Securityholder) is entitled to receive one of Mixed Consideration, Maximum Cash Consideration or Maximum Scrip Consideration in respect of each ALE Scheme Security held by that ALE Scheme Securityholder; and
 - (ii) each ALE Scheme Securityholder that is an Ineligible Foreign Securityholder is entitled to receive the Mixed Consideration in respect of each ALE Scheme Security held by that ALE Scheme Securityholder (in the manner contemplated in clause 5.7),
- subject to the terms of the Schemes.

5.2 Election

- (a) An ALE Scheme Securityholder (other than an Ineligible Foreign Securityholder) may elect (by completing the relevant part of the Election Form) to receive either Mixed Consideration, Maximum Cash Consideration or Maximum Scrip Consideration for all of their ALE Scheme Securities (**Election**), such Election being subject to the terms of this Scheme, including without limitation clauses 5.6, 5.7 and 5.11. Valid Elections will take effect in accordance with this Scheme.
- (b) Subject to clause 5.2(g), for an Election to be valid:
- (i) the ALE Scheme Securityholder must complete and sign the Election Form in accordance with the instructions in the Scheme Booklet and on the Election Form; and
 - (ii) the Election Form must be received by ALE Registry before the Election Time at the address specified by Target in the Scheme Booklet and on the Election Form.
- (c) An Election made by an ALE Scheme Securityholder, whether valid or not, will be irrevocable unless Target and Consortium Acquirer in their discretion agree to the revocation of the Election (such discretion to be exercised fairly and equitably having regard to the circumstances at the time).
- (d) If:
- (i) a valid Election is not made by an ALE Scheme Securityholder; or
 - (ii) no Election is made by an ALE Scheme Securityholder,
- then that an ALE Scheme Securityholder will be deemed to have elected to receive Mixed Consideration in respect of all of their ALE Scheme Securities.
- (e) Subject to clause 5.2(g), an Election made or deemed to be made by an ALE Scheme Securityholder under this clause 5.2 will be deemed to apply in respect of the ALE

Scheme of Arrangement

Scheme Securityholder's entire registered holding of ALE Scheme Securities at the Record Date, regardless of whether the ALE Scheme Securityholder's holding of ALE Scheme Securities at the Record Date is greater or less than the ALE Scheme Securityholder's holding at the time it made its Election.

- (f) Subject to clause 5.2(g), if a valid Election is made by an ALE Scheme Securityholder under this clause 5.2 in respect of only some of its ALE Scheme Securities, and makes no Election or an invalid Election in respect of the remainder of its ALE Scheme Securities, the ALE Scheme Securityholder will be deemed to have elected to receive its elected form of Scheme Consideration in respect of all of its ALE Scheme Securities and not only those ALE Scheme Securities for which the ALE Scheme Securityholder made a valid Election.
- (g) An ALE Scheme Securityholder who is noted on the ALE Register as holding one or more parcels of ALE Securities as trustee or nominee for, or otherwise on account of, another person, may in the manner considered appropriate by Target and Consortium Acquirer (acting reasonably including after consultation with the ALE Registry), make separate Elections under this clause 5.2 in relation to each of those parcels of ALE Securities (subject to it providing to Target and Consortium Acquirer any substantiating information they reasonably require), and an Election made in respect of any such parcel, or an omission to make an Election in respect of any such parcel, will not be taken to extend to the other parcels.
- (h) Subject to clause 5.2(i) and 5.2(j), an Election Form will not be valid unless it is completed and received in accordance with the procedures set out in clause 5.2(b).
- (i) The Target 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 Target is not required to communicate with any ALE Scheme Securityholder prior to making this determination. The determination of the Target will be final and binding on the ALE Scheme Securityholder.
- (j) Notwithstanding clause 5.2(b), the Target may, in its sole discretion, after reasonable consultation with the Consortium Acquirer, at any time and without further communication to the ALE Scheme Securityholder, deem any Election Form it receives from an ALE Scheme Securityholder to be a valid Election in respect of the relevant ALE Scheme Securities, even if a requirement for a valid Election has not been complied with.

5.3 Mixed Consideration

If an ALE Scheme Securityholder elects or is deemed to have elected to receive Mixed Consideration then, subject to clauses 5.6 and 5.7, the ALE Scheme Securityholder will be entitled to receive for each ALE Scheme Security held by that ALE Scheme Securityholder at the Record Date:

- (a) a cash amount equal to \$3.67320244469014, less the Permitted Distribution Amount (if any); and
- (b) 0.408039354484537 CLW Securities.

5.4 Maximum Cash Consideration

- (a) If an ALE Scheme Securityholder elects to receive Maximum Cash Consideration, subject to clause 5.6, the ALE Scheme Securityholder will be entitled to receive for each ALE Scheme Security held by that ALE Scheme Securityholder at the Record Date:
 - (i) if the Available Cash Consideration is equal to or greater than the Total Cash Election Amount, \$5.68075606875406; and

- (ii) if the Available Cash Consideration is less than the Total Cash Election Amount:
 (A) a cash amount equal to:

$$\$n = \frac{(A - AC)}{(T - AC)} \times 5.68075606875406$$

and

- (B) a number of issued CLW Securities equal to:

$$nCLW = \frac{(5.68075606875406 - \$n)}{4.92}$$

where:

A = the Available Cash Consideration;

AC = the aggregate cash component of Scheme Consideration payable to all ALE Scheme Securityholders who have elected or are deemed to have elected to receive Mixed Consideration;

T = the Total Cash Election Amount;

\$n = an amount in Australian dollars to which the relevant ALE Scheme Securityholder is entitled; and

nCLW = the number of CLW Securities to which the relevant ALE Scheme Securityholder is entitled,

in each case, less the Permitted Distribution Amount (if any).

- (b) A reduction in the Maximum Cash Consideration required in respect of the Permitted Distribution Amount will be effected:
- (i) as a reduction in respect of the cash component of the Maximum Cash Consideration; and
- (ii) to the extent that the Permitted Distribution Amount exceeds the cash component of the Maximum Cash Consideration or there is no cash component, as a reduction in the number of CLW Securities to be issued in accordance with the ratio: 1 cent distributed is equal to 0.00203252032520 CLW Securities.

5.5 Maximum Scrip Consideration

- (a) If an ALE Scheme Securityholder elects to receive Maximum Scrip Consideration then, subject to clauses 5.6 and 5.7, the ALE Scheme Securityholder will be entitled to receive for each ALE Scheme Security held by that ALE Scheme Securityholder at the Record Date:
- (i) if the Available Scrip Consideration is equal to or greater than the Total Scrip Election Amount, 1.15462521722643 CLW Securities; and
- (ii) if the Available Scrip Consideration is less than the Total Scrip Election Amount:

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- (A) a number of CLW Securities equal to:

$$nCLW = \frac{(A - AS)}{(T - AS)} \times 1.15462521722643$$

and

- (B) a cash amount equal to:

$$\$n = (1.15462521722643 - nCLW) \times 4.92$$

where:

nCLW = the number of CLW Securities to which the relevant ALE Scheme Securityholder is entitled;

\$n = an amount in Australian dollars to which the relevant ALE Scheme Securityholder is entitled;

A = the Available Scrip Consideration;

T = the Total Scrip Election Amount; and

AS = the aggregate number of CLW Securities that are the subject of Elections by all ALE Scheme Securityholders who have elected or are deemed to have elected to receive Mixed Consideration,

in each case, less the Permitted Distribution Amount (if any).

- (b) A reduction in the Maximum Scrip Consideration required in respect of the Permitted Distribution Amount will be effected as a reduction in the number of CLW Securities to be issued in accordance with the ratio: 1 cent distributed is equal to 0.00203252032520 CLW Securities.

5.6 Fractions and splitting

Where the number of ALE Securities held by an ALE Scheme Securityholder as at the Record Date is such that the aggregate entitlement of the ALE Scheme Securityholder to the Scheme Consideration (including under clause 5.8):

- (a) includes a fractional entitlement to a CLW Security; and/or
(b) includes a fractional entitlement to a cent,

then the entitlement of that ALE Scheme Securityholder must be rounded up or down to the nearest whole number, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of CLW Securities or cents (as applicable), and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of CLW Securities or cents (as applicable).

5.7 Ineligible Foreign Securityholders

- (a) Each Ineligible Foreign Securityholder is deemed to make a valid Election to receive Mixed Consideration.
(b) The Consortium Acquirer will be under no obligation to issue or cause to be issued, and must not issue, any CLW Securities under this Scheme to any Ineligible Foreign Securityholder. Accordingly, all CLW Securities that, but for this clause 5.7, would have been required to be issued to Ineligible Foreign Securityholders are to be dealt with on behalf of Ineligible Foreign Securityholders in accordance with clause 5.8.

5.8 Sale Facility

- (a) CLW Securities to which an Ineligible Foreign Securityholder would have been entitled but for clause 5.7 must not be issued to the relevant Ineligible Foreign Securityholder and, instead, must be provided to the Sale Agent by the Consortium Acquirer, or caused to be provided to the Sale Agent by the Consortium Acquirer, on the Implementation Date (together, the **Sale Securities**) and subsequently sold in accordance with this clause 5.8.
- (b) The Sale Facility will only be available in respect of CLW Securities provided to the Sale Agent in the circumstances referred to in clause 5.8(a). Any purported Election by an ALE Scheme Securityholder to participate in the Sale Facility in any other circumstance will be invalid and not recognised.
- (c) Target and the Consortium Acquirer must procure that as soon as practicable after the Implementation Date and, in any event, not more than 10 Business Days after the Implementation Date, the Sale Agent sells or procures the sale of all of the Sale Securities in the ordinary course of trading on ASX in such manner, at such price or prices and on such other terms as the Sale Agent determines in good faith, and remits to Target the proceeds of the sale (**Gross Proceeds**).
- (d) Promptly after receiving the Gross Proceeds, and in any event, not more than 10 Business Days after receiving them, Target must pay, or procure the payment, to each Ineligible Foreign Securityholder (in accordance with this clause 5.8) an amount equal to the following:

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

Where:

A = the amount to be paid to each Ineligible Foreign Securityholder in accordance with this clause 5.8;

B = the Gross Proceeds (less any applicable brokerage, taxes and other costs and charges);

C = the total number of CLW Securities provided to the Sale Agent under clause 5.8(a); and

D = the number of CLW Securities provided to the Sale Agent under clause 5.8(a) in respect of that Ineligible Foreign Securityholder.

- (e) Target, CLW and the Sale Agent do not give any assurance as to the price that will be achieved in respect of the sale of CLW Securities in accordance with this clause 5.8, and that the sale of CLW Securities under this clause 5.8 will be at the risk of the Ineligible Foreign Securityholder.
- (f) The payment obligation of Target under clause 5.8(d) will be satisfied by Target (in its absolute discretion and despite any election referred to in clause 5.8(f)(i) or any authority referred to in clause 5.8(f)(ii)):
- (i) where an Ineligible Foreign Securityholder has, before the Record Date, made a valid election in accordance with the requirements of the ALE Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the Ineligible Foreign Securityholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
- (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Ineligible Foreign

- Securityholder by an appropriate authority from the Ineligible Foreign Securityholder to the Target; or
- (iii) otherwise, dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Securityholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Ineligible Foreign Securityholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.11).
- (g) If the Target 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 Securityholder, the Target is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Securityholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of the Schemes). The Target 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 Securityholder, 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 Securityholder.
 - (h) Payment of an amount to an Ineligible Foreign Securityholder in accordance with this clause 5.8 will be in full satisfaction of the obligations of Target to the Ineligible Foreign Securityholder under the Scheme in respect of the scrip component of that Ineligible Foreign Securityholder's Scheme Consideration.
 - (i) Each Ineligible Foreign Shareholder appoints Target as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law.

5.9 Provision of cash component of Scheme Consideration

- (a) The Consortium Acquirer must, by no later than the Business Day before the Implementation Date:
 - (i) deposit (or procure the deposit) in cleared funds into the Trust Account an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to ALE Scheme Securityholders provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to the Consortium Acquirer's account; and
 - (ii) provide written confirmation to Target of that deposit.
- (b) On the Implementation Date, subject to the Consortium Acquirer having satisfied its obligations in clause 5.9(a), Target must pay or procure the payment, from the Trust Account, to each ALE Scheme Securityholder such amount of cash from the cash component of the Scheme Consideration as that ALE Scheme Securityholder is entitled under this clause 5 (if any).
- (c) The obligations of Target under clause 5.9(b) will be satisfied by Target (in its absolute discretion and despite any election referred to in clause 5.9(c)(i) or any authority referred to in clause 5.9(c)(ii)):
 - (i) where a ALE Scheme Securityholder has, before the Record Date, made a valid election in accordance with the requirements of the ALE Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the ALE Scheme Securityholder, paying, or procuring the payment

- of, the relevant amount in Australian currency by electronic means in accordance with that election;
- (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the ALE Scheme Securityholder by an appropriate authority from the ALE Scheme Securityholder to the Target; or
 - (iii) otherwise, dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the ALE Scheme Securityholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the ALE Scheme Securityholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.11).
- (d) If, following satisfaction of Consortium Acquirer's obligations under clause 5.8(a) but prior to the occurrence of all of the events described in clause 4, the Scheme lapses under clause 2.3(b):
- (i) Target must immediately repay (or cause to be repaid) to or at the direction of Consortium Acquirer the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges);
 - (ii) the obligation to transfer ALE Scheme Securities, together with all rights and entitlements attaching to the ALE Scheme Securities as at the Implementation Date, to Consortium Acquirer and CHH (as applicable) under clause 4 will immediately cease;
 - (iii) Consortium Acquirer must return the Scheme Transfers, if provided pursuant to clause 4; and
 - (iv) Target is no longer obliged to enter, or procure the entry of, the name of Consortium Acquirer and CHH (as applicable) in the ALE Register in accordance with clause 4.

5.10 Provision of scrip component of Scheme Consideration in the form of CLW Securities

The Consortium Acquirer must, subject to clauses 5.6, 5.7, 5.8 and 5.11:

- (a) procure that on the Implementation Date:
 - (i) CLW issues the CLW Securities to each ALE Scheme Securityholder who is entitled under this clause 5 to receive the Maximum Scrip Consideration and Mixed Consideration in respect of that ALE Scheme Securityholder's ALE Scheme Securities; and
 - (ii) the name and address of each such ALE Scheme Securityholder is entered in the CLW Registry as the holder of the CLW Securities issued to that ALE Scheme Securityholder on the Implementation Date;
- (b) procure that on or before the date that is two Business Days after the Implementation Date, a holding statement (or equivalent document) is sent to the Registered Address of each ALE Scheme Securityholder to whom CLW Securities are provided in accordance with clause 5.10(a) representing the number of CLW Securities provided to that ALE Scheme Securityholder pursuant to this Scheme; and
- (c) ensure that the CLW Securities issued, at the time they are issued:
 - (i) have the rights set out in the CLW Trust Deeds;

Scheme of Arrangement

Allens & Linklaters

- (ii) rank equally in all respects among themselves and with all other CLW Securities on issue in CLW; and
- (iii) are fully paid and free from any mortgage, charge, lien, encumbrance or other security interest, or any third party right.

5.11 Joint holders

In the case of ALE Scheme Securities held in joint names:

- (a) subject to clause 5.9(c), any amount comprising the cash component of the Scheme Consideration payable in respect of those ALE Scheme Securities (including any amount payable under clause 5.8) is payable to the joint holders and any cheque required to be sent under the Schemes will be made payable to the joint holders and sent to either, at the sole discretion of Target, the holder whose name appears first in the ALE Register as at the Record Date or to the joint holders;
- (b) any CLW Securities to be provided under the Schemes must be provided to and registered in the names of the joint holders; and
- (c) any other document required to be sent under the Schemes, will be forwarded to either, at the sole discretion of Target, the holder whose name appears first in the ALE Register as at the Record Date or to the joint holders.

5.12 Unclaimed monies

- (a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (b) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Consortium Acquirer.
- (c) Target may cancel a cheque issued under this clause 5 if the cheque:
 - (i) is returned to Target; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (d) During the period of 12 months commencing on the Implementation Date, on request in writing from a ALE Scheme Securityholder to Target (or the ALE Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Target must reissue a cheque that was previously cancelled under this clause 5.12.

5.13 Remaining monies (if any) in Trust Account

To the extent that, following satisfaction of Target's obligations under the other provisions of this clause 5, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of the Schemes, the Deed Poll and the Scheme Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by Target (or the ALE Registry on Target's behalf) to Consortium Acquirer.

5.14 Orders of a court

- (a) If written notice is given to Target (or the ALE Registry), the Consortium Acquirer or CLW (or the CLW Registry) of an order or direction made by a court or another Government Agency that:

- (i) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of ALE Scheme Securities held by a particular ALE Scheme Securityholder, which would otherwise be payable or required to be issued to that ALE Scheme Securityholder by Target in accordance with this clause 5, then Target shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (ii) prevents Target from providing consideration to any particular ALE Scheme Securityholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Target shall be entitled to (as applicable):
 - (A) retain an amount equal to the number of ALE Scheme Securities held by that ALE Scheme Securityholder multiplied by the Scheme Consideration; or
 - (B) direct CLW not to issue, or to issue to a trustee or nominee, such number of CLW Securities as that ALE Scheme Securityholder would otherwise be entitled to under this clause 5,until such time as payment in accordance with this clause 5 is permitted by that (or another) court or direction or otherwise by law.
- (b) To the extent that amounts are so deducted or withheld in accordance with clause 5.14(a), such deducted or withheld amounts will be treated for all purposes under this Scheme as having been paid to the person in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted as required.

6 Dealings in ALE Securities

6.1 Dealings in ALE Securities by ALE Scheme Securityholders

For the purpose of establishing the persons who are ALE Scheme Securityholders, dealings in ALE Securities will only be recognised by Target provided that:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the ALE Register as the holder of the relevant ALE Securities by the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the ALE Registry by 5.00pm on the day which is the Record Date at the place where the ALE Register is located (in which case Target must register such transfers or transmission applications before 7.00pm on that day),

and Target will not accept for registration, nor recognise for the purpose of establishing the persons who are ALE Scheme Securityholders nor for any other purpose (other than to transfer to Consortium Acquirer and CHH (as applicable) pursuant to the Schemes and any subsequent transfers by Consortium Acquirer and CHH (as applicable) and its successors in title), any transfer or transmission application in respect of ALE Scheme Securities received after such times, or received prior to such times but not in actionable or registrable form (as appropriate).

6.2 Target Register

- (a) Target will, until the Scheme Consideration has been provided and the name and address of Consortium Acquirer and CHH (as applicable) have been entered in the ALE Register as the holder of all of the ALE Scheme Securities, maintain, or procure the

maintenance of, the ALE Register in accordance with this clause 6, and the ALE Register in this form and the terms of the Schemes will solely determine entitlements to the Scheme Consideration. As from the Record Date (and other than for Consortium Acquirer and CHH (as applicable) following the Implementation Date), each entry in the ALE Register as at the Record Date relating to ALE Scheme Securities will cease to have any effect other than as evidence of the entitlements of ALE Scheme Securityholders to the Scheme Consideration in respect of those ALE Scheme Securities.

- (b) As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of ALE Scheme Securities for each ALE Scheme Securityholder as shown in the ALE Register are available to Consortium Acquirer in the form Consortium Acquirer reasonably requires.

6.3 Effect of share certificates and holding statements

As from the Record Date (and other than for Consortium Acquirer and CHH (as applicable) following the Implementation Date), all share or unit certificates and holding statements for ALE Scheme Securities (other than statements of holding in favour of Consortium Acquirer and CHH (as applicable)) will cease to have effect as documents of title in respect of those ALE Scheme Securities.

6.4 No disposals after Record Date

If the Schemes become Effective, each ALE Scheme Securityholder, and any person claiming through that ALE Scheme Securityholder, must not dispose of or purport or agree to dispose of any ALE Scheme Securities or any interest in them after 5.00pm on the Record Date other than to Consortium Acquirer and CHH (as applicable) in accordance with the Schemes and any subsequent transfers by Consortium Acquirer and CHH (as applicable) and its successors in title.

7 Suspension and termination of quotation of ALE Securities

- (a) Target must apply to ASX for suspension of trading of the ALE Securities on ASX with effect from the close of business on the Effective Date.
- (b) Target must apply to ASX for termination of official quotation of the ALE Securities on ASX and the removal of Target from the official list of ASX with effect from the Business Day immediately following the Implementation Date, or from such later date as may be determined by Consortium Acquirer.

8 General provisions

8.1 Further assurances

- (a) Each ALE Scheme Securityholder and Target will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Schemes and the transactions contemplated by it.
- (b) Without limiting Target's other powers under the Schemes, Target has power to do all things that it considers necessary or desirable to give effect to the Schemes and the Scheme Implementation Deed.

8.2 ALE Scheme Securityholders' agreements and consents

Each ALE Scheme Securityholder:

- (a) irrevocably agrees to the transfer of their ALE Scheme Securities, together with all rights and entitlements attaching to those ALE Scheme Securities, to Consortium Acquirer and CHH (as applicable) in accordance with the terms of the Schemes;
- (b) agrees to the modification or variation (if any) of the rights attaching to their ALE Scheme Securities constituted by or resulting from the Schemes;
- (c) who receives CLW Securities as part of the Scheme Consideration, agrees:
 - (i) to become a securityholder of CLW and be bound by the terms of the CLW Trust Deeds; and
 - (ii) to have their name registered in the register on which CLW Securities are recorded as a holder of CLW Securities (in respect of the CLW Securities which they are issued pursuant to the Schemes);
- (d) acknowledges and agrees that the Schemes bind Target and all ALE Scheme Securityholder (including those that did not attend the Company Scheme Meeting or did not vote at that meeting or voted against the Company Scheme at that Company Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Target; and
- (e) irrevocably consents to Target and Consortium Acquirer doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Schemes and the transactions contemplated by it,

without the need for any further act by that ALE Scheme Securityholder.

8.3 Appointment of Target as attorney for implementation of Schemes

Each ALE Scheme Securityholder, without the need for any further act by that ALE Scheme Securityholder, irrevocably appoints Target as that ALE Scheme Securityholder's agent and attorney for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Schemes and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4(b)(i); and
- (b) enforcing the Deed Poll against Consortium Acquirer and each Guarantor who has executed the Deed Poll,

and Target accepts such appointment. Target, as agent and attorney of each ALE Scheme Securityholder, may sub delegate its functions, authorities or powers under this clause 8.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

8.4 Warranty by ALE Scheme Securityholders

Each ALE Scheme Securityholder is deemed to have warranted to Consortium Acquirer and, to the extent enforceable, to have appointed and authorised Target as that ALE Scheme Securityholder's agent and attorney to warrant to Consortium Acquirer, that all of their ALE Scheme Securities (including any rights and entitlements attaching to those ALE Scheme Securities) will, at the time of the transfer of them to Consortium Acquirer or CHH (as applicable) pursuant to the Schemes, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they

have full power and capacity to sell and to transfer their ALE Scheme Securities (together with any rights and entitlements attaching to those ALE Scheme Securities) to Consortium Acquirer or CHH (as applicable) pursuant to the Schemes, and as at the Record Date, they have no existing right to be issued any other ALE Scheme Securities or any other form of securities in Target or ALE Trust. Target undertakes in favour of each ALE Scheme Securityholder that it will provide such warranty, to the extent enforceable, to Consortium Acquirer on behalf of that ALE Scheme Securityholder.

8.5 Title to ALE Scheme Securities

- (a) To the extent permitted by law, the ALE Scheme Securities transferred to Consortium Acquirer or CHH (as applicable) under the Schemes will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.
- (b) CHH will be beneficially entitled to the ALE Scheme Shares transferred to it under the Company Scheme pending registration by Target of the name and address of CHH in the ALE Register as the holder of the ALE Scheme Shares.
- (c) Consortium Acquirer will be beneficially entitled to the ALE Scheme Units transferred to it under the Trust Scheme pending registration by Target of the name and address of Consortium Acquirer in the ALE Register as the holder of the ALE Scheme Units.

8.6 Appointment of Consortium Acquirer as attorney for ALE Scheme Securities

- (a) From the time that Consortium Acquirer has satisfied its obligations in clauses 5.9(a) and 5.10(a) until Consortium Acquirer and CHH (as applicable) are registered in the ALE Register as the holder of all ALE Scheme Securities, each ALE Securityholder:
 - (i) without the need for any further act by that ALE Securityholder, irrevocably appoints Consortium Acquirer as its proxy to (and irrevocably appoints Consortium Acquirer as its agent and attorney for the purpose of appointing any director or officer of Consortium Acquirer as that ALE Securityholder's proxy and, where appropriate, its corporate representative to):
 - (A) attend shareholders' meetings of Target;
 - (B) exercise the votes attaching to the Target Shares registered in the name of the ALE Securityholder; and
 - (C) sign any ALE Securityholders' resolution;
 - (ii) must take all other action in the capacity of an ALE Securityholder as Consortium Acquirer reasonably directs; and
 - (iii) acknowledges and agrees that in exercising the powers referred to in clause 8.6(a), Consortium Acquirer and any person nominated by Consortium Acquirer under clause 8.6(a) may act in the best interests of Consortium Acquirer as the intended registered holder of the ALE Scheme Securities.
- (b) From the time that Consortium Acquirer has satisfied its obligations in clauses 5.9(a) and 5.10(a) until Consortium Acquirer and CHH (as applicable) are registered in the ALE Register as the holder of all ALE Scheme Securities, no ALE Securityholder may attend or vote at any meetings of ALE Securityholders or sign any ALE Securityholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause 8.6.

8.7 Alterations and conditions to Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions, Target may, by its counsel or solicitors, and with the prior written consent of Consortium Acquirer, consent on behalf of all persons concerned, including each ALE Securityholder, to those alterations or conditions, and each ALE Securityholder agrees to any such alterations or conditions which Target has consented to.

8.8 Enforcement of Deed Poll

Target undertakes in favour of each ALE Scheme Securityholder that it will enforce the Deed Poll against:

- (a) Consortium Acquirer; and
- (b) each Guarantor,

on behalf of and as agent and attorney for the ALE Scheme Securityholders.

8.9 Binding effect of Schemes

The Company Scheme binds Target and all of the ALE Scheme Securityholders (including those who did not attend the Company Scheme Meeting to vote on the Company Scheme, did not vote at the Company Scheme Meeting, or voted against the Company Scheme at the Company Scheme Meeting) and, to the extent of any inconsistency, overrides the Target Constitution.

8.10 Consent

Each of the ALE Scheme Securityholders consents to Target doing all things necessary or incidental to the implementation of the Schemes, whether on behalf of the ALE Scheme Securityholders, Target or otherwise.

8.11 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Schemes is sent by post to Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or by the ALE Registry, as the case may be. The accidental omission to give notice of the Company Scheme Meeting or the non-receipt of such notice by an ALE Securityholder will not, unless so ordered by the Court, invalidate the Company Scheme Meeting or the proceedings of the Company Scheme Meeting.

8.12 Duty

Consortium Acquirer will pay all duty (including stamp duty and any related fines, penalties and interest) payable on or in connection with the transfer by ALE Scheme Securityholders of the ALE Scheme Securities to Consortium Acquirer and CHH (as applicable) pursuant to the Schemes.

8.13 Governing law and jurisdiction

This document is governed by the laws of New South Wales. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there and courts of appeal from them in connection with matters concerning this document. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

Annexure C: Deed Poll

Arnold Bloch Leibler
Lawyers and Advisers

Deed Poll

Bieson Pty Limited as trustee for CH LEP Investment Trust
Charter Hall WALE Limited as responsible entity for the Charter
Hall Direct Industrial Fund and LWR Finance Trust
Host-Plus Pty Limited as trustee for the Hostplus Pooled
Superannuation Trust



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Deed Poll

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Deed Poll

Details

Date	27 October 2021
By	<p>Bieson Pty Limited (ACN 110 465 168) as trustee of CH LEP Investment Trust of Level 20, 1 Martin Place, Sydney NSW 2000 (Consortium Acquirer)</p> <p>Charter Hall WALE Limited (ACN 610 772 202) as responsible entity for Charter Hall Direct Industrial Fund and LWR Finance Trust of Level 20, 1 Martin Place, Sydney NSW 2000 (CLW)</p> <p>Host-Plus Pty Limited (ABN 79 008 634 704) as trustee for the Hostplus Pooled Superannuation Trust (ABN 13 140 019 340) of Level 9, 114 William Street, Melbourne VIC 3000 (Hostplus)</p>
In favour of	each ALE Scheme Securityholder

Background	A	The Consortium Acquirer, CLW, Hostplus and Australian Leisure and Entertainment Property Management Limited (ACN 105 275 278) (ALE Property RE) in its own capacity and as responsible entity for the Australian Leisure and Entertainment Property Trust (ARSN 106 063 049) (ALE Property RE) have entered into a scheme implementation deed dated 20 September 2021 (Scheme Implementation Deed).
	B	In accordance with the Scheme Implementation Deed, the Consortium Acquirer, CLW and Hostplus enter into this document to covenant in favour of each ALE Scheme Securityholder that they will observe and perform their obligations under the Scheme Implementation Deed and the Schemes.

1 Definitions and interpretation

1.1 Definitions

Terms used in this document have the same meaning as in the Scheme Implementation Deed unless otherwise defined in this document or the context requires otherwise.

1.2 Rules for interpreting this document

The rules in clause 1.2 ('Interpretation') of the Scheme Implementation Deed apply in interpreting this document, unless the context makes it clear that a rule is not intended to apply.

1.3 Nature of deed poll

The Consortium Acquirer, CLW and Hostplus acknowledge and agree that:



- (a) this document may be relied on and enforced by any ALE Scheme Securityholder in accordance with its terms even though the ALE Scheme Securityholders are not party to it; and
- (b) under the Schemes, each ALE Scheme Securityholder irrevocably appoints ALE Property RE and each of its directors and officers, jointly and severally, as its agent and attorney to enforce this document against the Consortium Acquirer, CLW and Hostplus.

2 Condition and termination

2.1 Condition

This document and the obligations of the Consortium Acquirer, CLW and Hostplus under this document are subject to the Schemes becoming Effective.

2.2 Termination

The obligations of the Consortium Acquirer, CLW and Hostplus under this document will automatically terminate and the terms of this document will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (b) the Schemes do not become Effective on or before the End Date,

unless the Consortium Acquirer, CLW, Hostplus and ALE Property RE otherwise agree in writing.

2.3 Consequences of termination

If this document is terminated under clause 2.2 then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) each of the Consortium Acquirer, CLW and Hostplus is released from its obligations under this document except those obligations under clause 7.1; and
- (b) each ALE Scheme Securityholder retains any rights, powers or remedies they have against the Consortium Acquirer, CLW and Hostplus in respect of any breach of this document that occurred before it was terminated.

3 Scheme obligations

3.1 Scheme obligations

Subject to clause 2, the Consortium Acquirer, CLW and Hostplus covenant in favour of each ALE Scheme Securityholder that they will each duly and punctually observe and perform all obligations contemplated of them under and in accordance with the Schemes, including the relevant obligations relating to the provision of the Scheme Consideration.



3.2 Scheme implementation

The Consortium Acquirer, CLW and Hostplus will do all things that they are each required to do under the Scheme Implementation Deed to implement the Schemes.

4 Warranties

Each of the Consortium Acquirer, CLW and Hostplus represent and warrant in favour of each ALE Scheme Securityholder that:

- (a) **(status)** it is a corporation validly existing under the laws of its place of incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this document and to carry out the transactions contemplated by this document;
- (c) **(corporate authority)** it has taken all necessary corporate action to authorise the execution of this document and has taken or will take all necessary corporate action to authorise the performance of this document;
- (d) **(documents effective)** this documents is its valid and binding obligation enforceable in accordance with its terms;
- (e) **(no contravention of law)** the execution and performance by it of this document and each transaction contemplated by it did not and will not violate in any respect a provision of:
 - (i) a law, treaty, judgment, ruling, order or decree binding on it;
 - (ii) its constitution; or
 - (iii) any other document or agreement that is binding on it;
- (f) **(insolvency)** it is not subject to an Insolvency Event;
- (g) **(trustee status, capacity and solvency)** if it is executing this document in its capacity as trustee of a trust or trusts (each a **Trust**):
 - (i) the Trust has been duly established and has not been terminated;
 - (ii) it was validly appointed trustee of the Trust in accordance with the terms of the Trust, it is the sole trustee of the Trust, and no action has been taken to remove or replace it as the trustee of the Trust;
 - (iii) it is not in default under the terms of the trust deed of the Trust (**Trust Deed**) and has no notice of any circumstances which will or are reasonably likely to lead to the removal of it as trustee of the Trust;
 - (iv) it has not been removed from the office of trustee nor ceased to act and no additional trustee has been appointed;
 - (v) no action has been taken or proposed to, either:
 - (A) terminate the Trust; or



- (B) wind-up the Trust whether under Chapter 5C of the Corporations Act or otherwise;
- (vi) it has the authorisations necessary for it to enter into this document and the Schemes, perform obligations under them and allow them to be enforced (including any authorisation required under the Trust Deed);
- (vii) it has not exercised its powers under the Trust Deed to release, abandon or restrict any power conferred on it by the Trust Deed; and
- (viii) it has the right to be fully indemnified out of the assets of the Trust in respect of all its obligations and liabilities under this document other than in the case of its behaviour being beyond power or improper.

5 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) the Consortium Acquirer, CLW and Hostplus have each fully performed their obligations under this document; or
- (b) the earlier termination of this document under clause 2.

6 Limitation of liability

6.1 Consortium Acquirer and CLW limitation of liability

- (a) The Consortium Acquirer and CLW execute and perform this document as trustee of a trust or trusts (**Trustee Parties**) and do so in that, and in no other, capacity.
- (b) Subject to clause 6.1(d), any liability of a Trustee Party arising under or in connection with this document is limited to the extent to which the Trustee Party is, having sought indemnification, actually indemnified for that liability out of the assets of the relevant trust.
- (c) Subject to clause 6.1(d), no person will be entitled to:
 - (i) claim from or commence proceedings against a Trustee Party in respect of any liability under this document in any capacity other than as the trustee of the relevant trust;
 - (ii) seek the appointment of an administrator, a controller or a liquidator (all as defined in section 9 of the Corporations Act), or any similar officer under the laws of any relevant jurisdiction, to any assets of the relevant trust, or prove in any liquidation, administration or arrangement of or affecting the Trustee Party, except in relation to the assets of the relevant trust; or
 - (iii) enforce or seek to enforce any judgment in respect of a liability under this document against a Trustee Party in any capacity other than as trustee of the relevant trust.



Annexure C: Deed Poll

- (d) The provisions of this clause 6 do not apply to any obligation or liability of a Trustee Party to the extent that it is not satisfied because there is (whether under the trust deed of the Trustee Party or by operation of law) a reduction in the extent, or an extinguishment, of the Trustee Party's indemnification out of the assets of the relevant trust as a result of:
 - (i) the Trustee Party's fraud, negligence or breach of trust;
 - (ii) the Trustee Party having acted beyond power or improperly in relation to the relevant trust; or
 - (iii) any act intended to reduce or extinguish the Trustee Party's indemnification out of the assets of the relevant trust.
- (e) This clause 6:
 - (i) applies despite any other provision of this document and extends to all liabilities and obligations of a Trustee Party in its capacity as trustee of the relevant trust in any way connected with any representation, warranty, conduct, omission or transaction related to this document;
 - (ii) applies to each Trustee Party severally and the obligations, undertakings, warranties and representations and liabilities under this clause 6 are several and not joint nor joint and several; and
 - (iii) survives termination of this document.

6.2 Hostplus limitation of liability

- (a) Hostplus enters into and performs this document and the transactions it contemplates (including any past and future conduct in respect thereof) only as trustee of the Hostplus Pooled Superannuation Trust (ABN 13 140 019 340) (**Hostplus Trust**).
- (b) Under and in connection with this document and any transactions contemplated in this document, Hostplus' liability (including for negligence) is limited to the extent it can be satisfied out of the assets of the Hostplus Trust. Hostplus need not pay any such liability out of other assets. No person will be entitled to:
 - (i) bring proceedings against Hostplus except as trustee of the Hostplus Trust;
 - (ii) take any steps to have Hostplus placed into any form of insolvency administration (but this does not prevent the appointment of a receiver, or a receiver and manager, in respect of the assets of the Hostplus Trust); or
 - (iii) seek by any means (including set-off) to have a liability of Hostplus to that party (including for negligence) satisfied out of any assets of Hostplus other than the assets of the Hostplus Trust.
- (c) The limitation in clause 6.2(b) applies despite any other provision in this document but does not apply with respect to any liability of Hostplus to the extent that Hostplus has no right or power to have assets of the Hostplus Trust applied towards satisfaction of that liability, or its right or power to do so is subject to a



deduction, reduction, limit or requirement to make good, in either case because Hostplus' behaviour was beyond power or improper.

7 General

7.1 Stamp duty

The Consortium Acquirer must, and CLW and Hostplus unconditionally and irrevocably guarantee the obligations of the Consortium Acquirer to:

- (a) pay all stamp duty (if any) and any related fines and penalties payable on or in connection with the transfer by the ALE Scheme Securityholders of the ALE Scheme Shares to the Consortium Acquirer Nominee and the ALE Scheme Units to the Consortium Acquirer pursuant to the Schemes and this document; and
- (b) indemnify each ALE Scheme Securityholder against any liability arising from a failure to comply with clause 7.1(a).

7.2 Amendment

A provision of this document may not be amended or varied:

- (a) before the Second Court Date, unless the amendment is agreed to in writing by the Consortium Acquirer, CLW, Hostplus and ALE Property RE; or
- (b) on or after the Second Court Date, unless the amendment is agreed to in writing by the Consortium Acquirer, CLW, Hostplus and ALE Property RE, and is approved by the Court,

and the Consortium Acquirer, CLW and Hostplus enter into a further deed poll in favour of each ALE Scheme Securityholder giving effect to that amendment or variation.

7.3 Assignment

The rights and obligations of the Consortium Acquirer, CLW, Hostplus and each ALE Scheme Securityholder under this document are personal. They cannot be assigned, encumbered, charged or otherwise dealt with, and no person shall attempt or purport to do so, without the prior written consent of the Consortium Acquirer, CLW, Hostplus and ALE Property RE.

7.4 Governing law

- (a) This document is governed by the law in force in New South Wales, Australia.
- (b) Each of the Consortium Acquirer, CLW and Hostplus submit to the non-exclusive jurisdiction of the courts exercising jurisdiction in New South Wales, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document, and the Consortium Acquirer, CLW and Hostplus waive any rights they might have to claim that those courts are an inconvenient forum.



7.5 Liability for expenses

Subject to clause 7.1, each party must pay its own expenses incurred in negotiating, executing, and registering this document.

7.6 Waiver of rights

A right may only be waived in writing, signed by the person giving the waiver, and:

- (a) no other conduct of the Consortium Acquirer, CLW, Hostplus and each ALE Scheme Securityholder (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

7.7 Operation of this document

- (a) Any right that the Consortium Acquirer, CLW, Hostplus and each ALE Scheme Securityholder may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

7.8 Remedies cumulative

The rights, powers and remedies of the Consortium Acquirer, CLW, Hostplus and each ALE Scheme Securityholder in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

7.9 Further assurances

The Consortium Acquirer, CLW and Hostplus will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this document and the transactions contemplated by it.



Signing Page

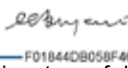
EXECUTED as a deed poll.

EXECUTED by **Bieson Pty Limited ACN 110 465 168** as trustee for **CH LEP Investment Trust** by:)
)
)

DocuSigned by:


5A51C698929C443...
Signature of director

David Harrison
Full name of director (print)

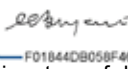
DocuSigned by:

F01844D9058F46C
Signature of director/company secretary
(delete as applicable)

Mark Robert Bryant
Full name of director/company secretary
(print) (delete as applicable)

EXECUTED by **Charter Hall WALE Limited ACN 610 772 202** as responsible entity for **Charter Hall Direct Industrial Fund and LWR Finance Trust** by:)
)
)

DocuSigned by:

5A51C698929C443...
Signature of director

David Harrison
Full name of director (print)

DocuSigned by:

F01844D9058F46C
Signature of director/company secretary
(delete as applicable)

Mark Robert Bryant
Full name of director/company secretary
(print) (delete as applicable)

EXECUTED for and on behalf of **Host-Plus Pty Limited ABN 79 008 634 704** as trustee for the **Hostplus Pooled Superannuation Trust** by its duly appointed attorneys, who declare that they have no notice of revocation of the power of attorney dated 10 December 2020 pursuant to which they were appointed:

Signature of attorney

Full name of attorney

Signature of attorney

Full name of attorney

Annexure C: Deed Poll

Signing Page

EXECUTED as a deed poll.

EXECUTED by **Bieson Pty Limited ACN 110 465 168** as trustee for **CH LEP Investment Trust** by:)
)
)

Signature of director

Signature of director/company secretary
(delete as applicable)

Full name of director (print)

Full name of director/company secretary
(print) (delete as applicable)

EXECUTED by **Charter Hall WALE Limited ACN 610 772 202** as responsible entity for **Charter Hall Direct Industrial Fund and LWR Finance Trust** by:)
)
)

Signature of director

Signature of director/company secretary
(delete as applicable)

Full name of director (print)

Full name of director/company secretary
(print) (delete as applicable)

EXECUTED for and on behalf of **Host-Plus Pty Limited ABN 79 008 634 704** as trustee for the **Hostplus Pooled Superannuation Trust** by its duly appointed attorneys, who declare that they have no notice of revocation of the power of attorney dated 10 December 2020 pursuant to which they were appointed:



Signature of attorney



Signature of attorney

DAVID ELIA
Full name of attorney

TRACEY KILE
Full name of attorney



Arnold Bloch Leibler
Doc id: ABL/8961597v4

Deed Poll

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Annexure D: Notice of Scheme Meetings

Notice of Company Scheme Meeting and Notice of Trust Scheme Meeting

Notice of Company Scheme Meeting

Australian Leisure and Entertainment Property Management Limited (ACN 105 275 278) (**ALE**)

Notice is hereby given that, by an order of the New South Wales Supreme Court (**Court**) made on 28 October 2021, pursuant to subsection 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**), a meeting of holders of shares in ALE (**ALE Shareholders**) will be held virtually on Thursday, 2 December 2021, commencing at 11:00am (Sydney time) or following the conclusion of the 2021 Annual General Meeting (whichever occurs later) (**Company Scheme Meeting**).

The Company Scheme Meeting and the Trust Scheme Meeting will be held concurrently.

Purpose of the Company Scheme Meeting

The purpose of the Company 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 ALE and ALE Shareholders (**Company Scheme**).

A copy of the Company Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Company Scheme are contained in the Scheme Booklet, of which this notice forms part.

Capitalised terms used but not defined in this Notice of Meeting have the meaning given in the Scheme Booklet, of which this notice forms part.

Resolution

1 Approval of the ALE Scheme

To consider, and if thought fit, pass the following resolution as a special resolution:

'That, subject to and conditional on:

- a. *the ALE Securityholders passing the Trust Scheme Resolutions;*
- b. *Resolution 2 in this Notice of Company Scheme Meeting being passed; and*
- c. *the Court confirming that ALE 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 Australian Leisure and Entertainment Property Management 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).'

2 Unstapling of the ALE Shares and the ALE Trust Units

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

'That, subject to and conditional on:

- a. *the ALE Securityholders passing the Trust Scheme Resolutions;*
- b. *Resolution 1 in this Notice of Company Scheme Meeting being passed; and*
- c. *the Court confirming that ALE 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,*

Annexure D: Notice of Scheme Meetings

pursuant to and in accordance with clause 38.5 of the ALE Trust Constitution and clause 77(h) of the ALE Constitution, the shares in ALE be unstapled from the units in the ALE Trust, with effect on and from the Implementation Date.'

Chairman

The Court has directed that Mr Robert Mactier is to act as chairman of the Company Scheme Meeting (and that, if Mr Robert Mactier is unable or unwilling to attend, Ms Phillipa Downes is to act as chairman of the Company Scheme Meeting) and has directed the chairman to report the result of the meeting to the Court.

Dated 28 October 2021



Michael Clarke
Company Secretary

Notice of Trust Scheme Meeting

Australian Leisure and Entertainment Property Management Limited (ACN 105 275 278) (**ALE RE**) as responsible entity for the Australian Leisure and Entertainment Property Trust (ARSN 106 063 049) (**ALE Trust**)

Notice is hereby given by ALE RE that a meeting of holders of units in ALE Trust (**Trust Unitholders**) will be held virtually on Thursday, 2 December 2021, commencing at 11:00am (Sydney time) or following the conclusion of the 2021 Annual General Meeting (whichever occurs later) (**Trust Scheme Meeting**).

The Trust Scheme Meeting and the Company Scheme Meeting will be held concurrently.

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 ALE Trust Constitution and the proposed trust scheme under which Bieson Pty Limited (ACN 110 465 168) as trustee for the CH LEP Investment Trust (**Consortium Acquirer**) acquires all of the units in the ALE Trust from Trust Unitholders at the Record Date (**Trust Scheme**).

A copy of the 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.

Capitalised terms used but not defined in this Notice of Meeting have the meaning given in the Scheme Booklet, of which this notice forms part.

Resolutions

1 Amendment of the ALE 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 Company 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 Company Scheme being lodged with ASIC; and*
- b. *Resolutions 2 and 3 in this Notice of Trust Scheme Meeting each being passed, the ALE 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 ALE RE be authorised to execute and lodge with ASIC a copy of the Supplemental Deed.'*

2 Unstapling of the ALE Shares and the ALE Trust Units

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

'That, subject to and conditional on:

- a. *the Company 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 Company Scheme being lodged with ASIC; and*
- b. *Resolutions 1 and 3 in this Notice of Trust Scheme Meeting each being passed,*

Annexure D: Notice of Scheme Meetings

pursuant to and in accordance with clause 38.5 of the ALE Trust Constitution and clause 77(h) of the ALE Constitution, the shares in ALE be unstapled from the units in the ALE Trust, with effect on and from the Implementation Date.'

3 Acquisition of ALE Trust Units

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

'That, subject to and conditional on:

a. *the Company 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 Company Scheme being lodged with ASIC; and*

b. *Resolutions 1 and 2 in this Notice of Trust Scheme Meeting each 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 Consortium Acquirer of all available Trust Units existing as at the Record Date pursuant to the Trust Scheme be approved for all purposes.'

(the **Trust Scheme Resolutions**).

Chairman

Mr Robert Mactier will act as chairman of the Trust Scheme Meeting (and, if Mr Robert Mactier is unable or unwilling to attend, Ms Phillipa Downes will act as chairman of the Trust Scheme Meeting).

Dated 28 October 2021



Michael Clarke

Company Secretary

Explanatory Notes

These explanatory notes relate to the Schemes and should be read in conjunction with the Notice of Meeting for each of the Company Scheme Meeting and Trust Scheme Meeting and the information in the Scheme Booklet of which that notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Company Scheme Resolutions and Trust Scheme Resolutions.

Majorities required

For the Company Scheme Resolutions to be approved:

- a. Resolution 1, the Approval of the ALE Scheme, must be passed in accordance with section 411(4)(a)(ii) of the Corporations Act by:
 - i. at least 75% of the total number of votes cast on Resolution 1 at the Company Scheme Meeting by eligible ALE Securityholders present and voting (either in person or by direct vote, proxy, attorney or, in the case of a corporation, by its duly appointed corporate representative); and
 - ii. more than 50% in number (unless the Court orders otherwise) of eligible ALE Securityholders present and voting (either in person or by direct vote, proxy, attorney or, in the case of a corporation, by its duly appointed corporate representative) at the Company Scheme Meeting; and
- b. Resolution 2, the Unstapling of the ALE Shares and the ALE Trust Units, must be passed by at least 50% of the total number of votes cast by ALE Securityholders entitled to vote on the resolution (either in person or by direct vote, proxy, attorney or, in the case of a corporation, by its duly appointed corporate representative) at the Company Scheme Meeting. In accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of this resolution by the Consortium Acquirer Nominee or its associates will be disregarded.

For the Trust Scheme Resolutions to be approved:

- a. Resolution 1, the Amendment of the Trust Constitution, must be passed by at least 75% of the total number of votes cast on the relevant resolution by ALE Securityholders entitled to vote on the resolution (either in person or by direct vote, proxy, attorney or, in the case of a corporation, by its duly appointed corporate representative) at the Trust Scheme Meeting. For the purposes of this Trust Scheme Resolution, and in accordance with section 253E of the Corporations Act, ALE RE and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of ALE Trust. In addition, in accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of this resolution by the Consortium Acquirer or its associates will be disregarded;
- b. Resolution 2, the Unstapling of the ALE Shares and the ALE Trust Units, must be passed by at least 50% of the total number of votes cast by ALE Securityholders entitled to vote on the resolution (either in person or by direct vote, proxy, attorney or, in the case of a corporation, by its duly appointed corporate representative) at the Trust Scheme Meeting. In accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of this resolution by the Consortium Acquirer or its associates will be disregarded; and
- c. Resolution 3, the Acquisition of ALE Trust Units, must be passed by at least 50% of the total number of votes cast on the resolution by ALE Securityholders entitled to vote on the resolution (either in person or by direct vote, proxy, attorney or, in the case of a corporation, by its duly appointed corporate representative) at the Trust Scheme Meeting. For the purposes of this Trust Scheme Resolution, and in accordance with section 253E of the Corporations Act, ALE RE and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of ALE Trust. In addition, in accordance with Takeovers Panel Guidance Note

Annexure D: Notice of Scheme Meetings

15, any votes cast in favour of this resolution by the Consortium Acquirer or its associates will be disregarded.

Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Company Scheme (with or without modification) must be approved by an order of the Court. If the Company Scheme Resolutions put to the Company Scheme Meeting are passed by the majorities stated above and the other conditions are satisfied or waived (if applicable), ALE intends to apply to the Court on or around Tuesday, 7 December 2021 for approval of the Company Scheme.

Entitlement to vote

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 7:00pm (Sydney time) on Tuesday, 30 November 2021 (being the Scheme Meetings Record Date).

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

Participation in the Scheme Meetings

ALE Securityholders and proxy holders can watch, vote, make comments and ask questions during the Scheme Meetings via the online platform at:

<https://meetings.linkgroup.com/LEPSM>

To do this you will need a computer or mobile/tablet device with internet access.

ALE Securityholders: When you log onto the online platform, you will need to provide your details (including SRN/HIN and postcode) to be verified as a securityholder. Securityholders with a registered address outside Australia should click 'Outside Australia' and select the county of their registered address.

Proxyholders: when you log onto the online platform, you will need your 'Proxy Number' which will be provided to you by Link Market Services by email before the Scheme Meetings.

More information about how to use the Scheme Meetings online platform is available in the Virtual Meeting Online Guide, which is available upon logging into the online platform and at www.alegroup.com.au/Scheme.

Viewing the webcast only

The Scheme Meetings will be webcast live at <https://meetings.linkgroup.com/LEPSM>.

An archive of the webcast will be available on our website shortly after the meeting concludes. You do not need to be a securityholder or proxyholder to view the webcast.

Technical difficulties

As the Scheme Meetings are virtual meetings, technical issues may arise. In that event, ALE will have regard to the impact of the technical issue on ALE Securityholders and the Chairman of the Scheme Meetings may, in exercising his powers as the Chairman, issue any instructions for resolving the issue and decide whether and how the Scheme Meetings should proceed. In exercising this discretion, the Chairman will have regard to the number of ALE Securityholders impacted and the extent to which participation in the business of the Scheme Meetings is affected. Where the Chairman considers it appropriate, the Chairman may continue to hold the Scheme Meetings and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

Other options for voting

ALE Securityholders who are unable to join us at the Scheme Meetings are encouraged to cast a direct vote prior to the meeting, or alternatively, to appoint a proxy to participate and vote on your behalf. If you direct your proxy how to vote, your votes will be cast at the meeting in accordance with your directions.

ALE Securityholders can cast their direct vote or appoint a proxy online at www.linkmarketservices.com.au or by following the instructions on the Voting/Proxy Form. These must be submitted by no later than 11.00am (Sydney time) on Tuesday 30 November 2021 to be valid.

Even if you plan to participate in the meeting online, you are still encouraged to cast a direct vote or submit a directed proxy in advance of the meeting so that your votes can still be counted if, for any reason, you cannot participate online on the day.

If you cast a direct vote prior to the Scheme Meetings you may still attend the Scheme Meetings online. If you attend the Scheme Meetings online, your direct vote will not be cancelled unless you cast a direct vote live during the Scheme Meetings. If an ALE Securityholder casts a direct vote live during the Scheme Meetings on a particular resolution, they are taken to have revoked the authority of a proxy, attorney or representative to vote on their behalf on that resolution under an instrument of appointment received by ALE Property Group before registering online for direct voting.

Other options for asking questions

ALE Securityholders are able to submit written questions to the company in advance of the meetings. Questions may be submitted online at www.linkmarketservices.com.au. Questions should be submitted no later than Thursday, 25 November 2021.

Questions by Telephone

1800 719 665 (within Australia)

+61 2 9189 2032 (outside Australia)

ALE Securityholders and proxyholders will be given an opportunity to ask questions in real-time by telephone.

A personalised PIN is needed to ask questions by telephone. To receive a personalised PIN, please contact Link Market Services before the Scheme Meetings. Dial-in details for the Scheme Meeting and contact details for Link Market Services are included in the Virtual Meeting Online Guide. If you plan to ask questions by telephone, you will still need to log into the online platform if you wish to vote during the meeting. To obtain your unique PIN, please contact Link Market Services prior to the meeting on +61 1300 554 474.

All resolutions will be by poll

As ALE Securityholders are asked to participate virtually in the Scheme Meetings, each resolution considered at the Scheme Meetings will be conducted by a poll.

Corporations

An ALE Securityholder or proxyholder that is a body corporate may appoint a representative to attend and vote for them at the Scheme Meetings and will be required to provide, prior to the Scheme Meetings, the appropriate "Certificate of Appointment of Corporate Representative" to evidence the appointment of the corporate representative. A form of the certificate may be obtained from the Registry.

Voting by attorney

You may appoint an attorney to attend and vote at the Scheme Meetings on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by ALE, at its

Annexure D: Notice of Scheme Meetings

registered office by 11:00am (Sydney time) on Tuesday 30 November 2021, unless it has been previously provided to ALE.

Proxies

An ALE Securityholder who is entitled to attend and cast a vote at the Scheme Meetings may appoint a person as the ALE Securityholder's proxy to attend and vote for the ALE Securityholder at the Scheme Meetings. The Voting/Proxy form enables ALE Securityholders to vote For, Against, or Abstain from voting on, a Resolution. Proxies need not be ALE Securityholders.

ALE Securityholders who appoint a proxy, other than the Chairman, will be contacted prior to the start of the Scheme Meetings to ensure that they have their proxyholder login information needed to access the Virtual Meeting Portal and participate in the Scheme Meetings.

Two or more proxies

If the ALE Securityholder is entitled to cast two or more votes at the Scheme Meetings, the ALE Securityholder may appoint two proxies and may specify the proportion or number of votes each proxy may exercise.

Where two proxies are appointed a separate form should be used for each. ALE Securityholders are requested to show on the form a specified number or proportion of the ALE Securityholder's voting rights, which the proxy may exercise. To do this, insert the relevant number or proportion of ALE Securities in respect of which the appointment is made. If the ALE Securityholder does not specify the proportion of the ALE Securityholder's voting rights each proxy is to represent, each proxy will be entitled to half of the ALE Securityholder's votes.

Direct voting and proxy lodgement

A Voting/Proxy Form is available at www.linkmarketservices.com.au.

To be valid, the Voting/Proxy Form (and any authority under which it is signed) must be completed and received not later than 11.00 am (AEDT) on Tuesday, 30 November 2021 either by:

- lodging the Voting/Proxy Form online at www.linkmarketservices.com.au;
- emailing the Voting/Proxy Form to alegroup@alegroup.com.au;
- returning the Voting/Proxy Form by post to Link Market Services, Locked Bag A14, Sydney South NSW 1235; or
- sending the Voting/Proxy Form by email to registrars@linkmarketservices.com.au.

By order of the Board of Australian Leisure and Entertainment Property Management Limited in its own right and in its capacity as responsible entity of the Australian Leisure and Entertainment Property Trust.



Michael Clarke

Company Secretary

Date: 28 October 2021

Annexure E: Supplemental Deed

Allens > < Linklaters

Australian Leisure and Entertainment Property Management Limited

Supplemental Deed

Amending the Constitution for Australian Leisure and Entertainment Property Trust

Allens
Deutsche Bank Place
Corner Hunter and Phillip Streets
Sydney NSW 2000 Australia
Tel +61 2 9230 4000
Fax +61 2 9230 5333
www.allens.com.au

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Allens is an independent partnership operating in alliance with Linklaters LLP.

Annexure E: Supplemental Deed

Allens < Linklaters

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1	Definitions and Interpretation	1
2	Benefit of this Supplemental Deed	2
3	Conditions	2
4	Amendments to Constitution	2
5	No Resettlement	2
6	Governing Law and Jurisdiction	2
	Schedule 1	4

This Deed Poll is made on

Party

- 1 **Australian Leisure and Entertainment Property Management Limited** (ACN 105 275 278) as responsible entity of Australian Leisure and Entertainment Property Trust (ARSN 106 063 049) of Suite 28.02, Level 28, 264-278 George Street, Sydney NSW 2000 (the **Responsible Entity**).

Recitals

- A The Responsible Entity is the responsible entity of the trust known as Australian Leisure and Entertainment Property Trust (ARSN 109 363 135) (the **Trust**).
- B The Trust has been registered pursuant to section 601EB of the Corporations Act 2001 (Cth) (the **Corporations Act**) as a managed investment scheme.
- C The units of the Trust are stapled to the shares of the Responsible Entity and are quoted and traded on the ASX as stapled securities of ALE Property Group (ASX:LEP).
- D The Responsible Entity, Consortium Acquirer, CLW and Hostplus have entered into a Scheme Implementation Deed dated 20 September 2021 (the **Scheme Implementation Deed**) to propose and implement the Schemes.
- E The Constitution must be amended to facilitate the Schemes.
- F Section 601GC(1)(a) of the Corporations Act provides that the Constitution may be amended by special resolution of the Unit Holders.
- G Under clause 25 of the Constitution, the Constitution may be amended, by deed, by the Responsible Entity.
- H The Responsible Entity proposes to execute this Supplemental Deed and lodge it with the Australian Securities and Investments Commission (**ASIC**) to modify the Constitution, as set out in this Supplemental Deed, to give effect to the resolution to modify the Constitution that was passed by Unit Holders at a meeting held on 2 December 2021.

It is declared as follows.

1 Definitions and Interpretation

1.1 Definitions

In this Supplemental Deed including the Recitals, the following definitions apply unless the context otherwise requires. Capitalised terms used in this but not otherwise defined have the meaning given in the Constitution.

ASIC has the meaning given to that term in Recital H.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the ASX operated by it.

CLW means Charter Hall WALE Limited (ACN 610 772 202) as responsible entity for LWR Finance Trust (ARSN 614 713 138) and Charter Hall Direct Industrial Fund (ARSN 144 613 641).

Consortium Acquirer means Bieson Pty Limited (ACN 110 465 168) as trustee for the CH LEP Investment Trust.

Constitution means the trust deed dated 19 August 2003 constituting the Trust, as amended from time to time.

Corporations Act has the meaning given to that term in Recital B.

Hostplus means Host-Plus Pty Limited (ABN 79 008 634 704) as trustee for the Hostplus Pooled Superannuation Trust (ABN 13 140 019 340).

Effective Time means the date on and time at which a copy of this Supplemental Deed is, or the modifications set out in it are, lodged with ASIC under section 601GC(2) of the Corporations Act.

Schemes has the meaning given in the Scheme Implementation Deed.

Scheme Implementation Deed has the meaning given to that term in Recital D.

Trust has the meaning given to that term in Recital A.

Unit means one fully paid ordinary unit in the Trust.

1.2 Interpretation

Clause 1.2 (Interpretation) of the Constitution applies to this Supplemental Deed as if set out in this Supplemental Deed, except that references to 'constitution' are references to this Supplemental Deed.

2 Benefit of this Supplemental Deed

This Supplemental Deed is made by the Responsible Entity with the intent that the benefit of this Supplemental Deed shall enure to the benefit of Unit Holders, jointly and severally.

3 Conditions

This Supplemental Deed is conditional upon, and will have no force of effect until, the satisfaction of each of the conditions precedent stipulated in clause 2.1 of the Company Scheme and the completion of the Unstapling (each as defined in the Scheme Implementation Deed).

4 Amendments to Constitution

With effect from the Effective Time, the Constitution is amended in the manner set out in Schedule 1.

5 No Resettlement

The Responsible Entity confirms that it is not by this Supplemental Deed intending to:

- (a) resettle or re-declare the trust declared under the Constitution; or
- (b) cause the transfer, vesting or accruing of any property comprising the assets of the Trust in any person.

6 Governing Law and Jurisdiction

This Supplemental Deed is governed by the laws of New South Wales. In relation to it and related non-contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

Executed and delivered as a Deed Poll in Sydney

Executed in accordance with section 127 of the *Corporations Act 2001* by **Australian Leisure and Entertainment Property Management Limited** (ACN 105 275 278) as responsible entity of **Australian Leisure and Entertainment Property Trust** (ARSN 106 063 049):

Director Signature

Director/Secretary Signature

Print Name

Print Name

Schedule 1

Amendments to the Constitution for Australian Leisure and Entertainment Property Trust

The Constitution is amended as following:

1 Clause 1.1

In clause 1.1 the following definitions are inserted in alphabetical order:

ALE Scheme Securities means all ALE Securities on issue as at the Record Date.

ALE Security means a stapled security in ALE Property Group consisting of one Responsible Entity Share and one Unit.

Available Cash Consideration means \$3.67320244469014 multiplied by the number of ALE Scheme Securities, as reduced in accordance with clause 4.8 of the Scheme Implementation Deed.

Available Scrip Consideration means such number of CLW Securities as is equal to 0.408039354484537 multiplied by the number of ALE Scheme Securities.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

CLW means Charter Hall WALE Limited (ACN 610 772 202) as responsible entity for the CLW Trusts.

CLW Registry means Link Market Services Limited or any replacement provider of share registry services to CLW.

CLW Security means a security comprising one unit in each of the CLW Trusts stapled together such that they cannot be dealt with separately.

CLW Trusts means each of LWR Finance Trust (ARSN 614 713 138) and Charter Hall Direct Industrial Fund (ARSN 144 613 641).

CLW Trust Deeds means the trust deeds of each CLW Trust (as amended from time to time).

Consortium Acquirer means Bieson Pty Limited (ACN 110 465 168) as trustee for the CH LEP Investment Trust.

Deed Poll means the deed poll executed by Consortium Acquirer and the Guarantors in favour of the Scheme Unit Holders.

Effective means the supplemental deed making amendments to this Constitution to facilitate the Scheme taking effect pursuant to section 601GC(2) of the Corporations Act.

Effective Date means the date on and time at which the Scheme becomes Effective.

Election has the meaning given in clause 41.7 of this Constitution.

Election Form means the election form provided with the Scheme Booklet under which each Scheme Unit Holder may elect to receive either Mixed Consideration, Maximum Cash Consideration or Maximum Scrip Consideration in respect of their Scheme Units.

Election Time means the date which is 5 Business Days prior to the Scheme Meeting (unless ASIC requires an earlier date, in which case such earlier date shall apply) or any other date agreed between the parties.

End Date means the date which is six months from the date of the Scheme Implementation Deed, or such later date as Consortium Acquirer and the RE may agree in writing.

Government Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity.

Gross Proceeds has the meaning given in clause 41.33 of this Constitution.

Guarantors means:

- (a) CLW; and
- (b) Hostplus.

Hostplus means Host-Plus Pty Limited (ABN 79 008 634 704) as trustee for the Hostplus Pooled Superannuation Trust (ABN 13 140 019 340).

Implementation Date means the date that is the fourth Business Day after the Record Date, or such other date as the RE and Consortium Acquirer may agree in writing.

Ineligible Foreign Unit Holder means a Scheme Unit Holder whose address, as shown in the Register (as at the Record Date), is in a place outside Australia and Australia's external territories, unless the RE is satisfied, acting reasonably, that the laws of that place permit the allotment and issue of CLW Securities to that Scheme Unit Holder pursuant to the Scheme, either unconditionally or after compliance with conditions that the RE in its sole discretion regards as acceptable and not unduly onerous or impracticable.

Maximum Cash Consideration means the consideration determined in accordance with clause 41.18.

Maximum Scrip Consideration means the consideration determined in accordance with clause 41.20.

Mixed Consideration means the consideration determined in accordance with clause 41.17.

Permitted Distribution means a distribution declared or determined to be paid by the board of directors of the RE to ALE Securityholders in the ordinary course on a quarterly basis.

Permitted Distribution Amount means the amount of any Permitted Distribution per ALE Security, declared or determined pursuant to clause 4.7 of the Scheme Implementation Deed other than the distribution related to the quarter ended 30 September 2021, announced on ASX by the RE on 20 September 2021 and scheduled to be paid on 15 November 2021.

Record Date means 7.00pm on the date that is the third Business Day after the Effective Date, or such other date as may be agreed in writing between Consortium Acquirer and the RE or as may be required by ASX.

Registered Address means, in relation to a Scheme Unit Holder, the address of that Scheme Unit Holder shown on the Register as at the Record Date.

Registry means Link Market Services Limited or any replacement provider of share registry services to the RE.

Responsible Entity Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between the RE and holders of Responsible Entity Scheme Shares under which a nominee of Consortium Acquirer acquires all of the Responsible Entity Scheme Shares, as contemplated by the Scheme Implementation Deed.

Responsible Entity Scheme Share means a Responsible Entity Share on issue as at the Record Date.

Responsible Entity Share means a fully paid ordinary share issued in the capital of the RE.

Sale Agent means the sale agent appointed by the Consortium Acquirer to sell the Sale Securities pursuant to clauses 41.31 to 41.39.

Sale Facility has the meaning given in clauses 41.31 to 41.39.

Sale Securities has the meaning given in clause 41.31.

Scaleback Arrangements means the arrangements set out in clauses 41.18 to 41.19 and 41.20 to 41.21, which arrangements are for the purposes of ensuring that the aggregate cash component and the aggregate CLW Security component of the Scheme Consideration required to be provided by the Consortium Acquirer under the terms of the Scheme do not exceed the Available Cash Consideration and the Available Scrip Consideration respectively.

Scheme means the arrangement under which Consortium Acquirer acquires all of the Scheme Units from the Scheme Unit Holders, facilitated by the amendments to the Constitution set out in this Supplemental Deed.

Scheme Booklet means the scheme booklet published by the RE and dated on or about 28 October 2021.

Scheme Consideration means the consideration to be provided to Scheme Unit Holders under the terms of the Scheme for the transfer to the Consortium Acquirer of their Scheme Units, being either:

- (a) the Maximum Cash Consideration;
- (b) the Maximum Scrip Consideration; or
- (c) the Mixed Consideration.

Scheme Implementation Deed means the agreement of that name between RE, Consortium Acquirer and the Guarantors in respect of the proposal and implementation of the Scheme and the Responsible Entity Scheme.

Scheme Meeting means the meeting of Unit Holders held on 2 December 2021 for the purpose of, inter alia, voting on the Scheme Resolutions.

Scheme Resolutions means resolutions of Unit Holders to approve the Scheme, being:

- (a) an ordinary resolution approving for all purposes, including item 7 of section 611 of the Corporations Act, the acquisition by Consortium Acquirer of all the Scheme Units; and
- (b) a special resolution for the purpose of section 601GC(1) of the Corporations Act to approve amendments to the Constitution to facilitate the implementation of the Scheme.

Scheme Transfers means, for each Scheme Unit Holder, a proper instrument of transfer of their Scheme Units for the purpose of section 1071B of the Corporations Act (which may be a master transfer of all or part of all of the Scheme Units).

Scheme Unit means a Unit on issue as at the Record Date.

Scheme Unit Holder means a person registered in the Register as a holder of one or more Scheme Units as at the Record Date.

Total Cash Election Amount means the aggregate amount of cash consideration that is the subject of all Elections (or deemed Elections) in respect of Maximum Cash Consideration and Mixed Consideration by Scheme Unit Holders in accordance with clauses 41.7 to 41.16 (and, for the avoidance of doubt, prior to the operation of the Scaleback Arrangements).

Total Scrip Election Amount means the aggregate number of CLW Securities that are the subject of all Elections (or deemed Elections) in respect of Maximum Scrip Consideration and Mixed Consideration by Scheme Unit Holders in accordance with clauses 41.7 to 41.16 (and, for the avoidance of doubt, prior to the operation of the Scaleback Arrangements).

Trust Account means an Australian dollar denominated trust account operated by the RE (or by the Registry on behalf of the RE) as trustee for the Scheme Unit Holders.

2 Clause 41

A new clause 41 is inserted immediately after clause 40 of the Constitution as set out below:

41 Scheme

Implementation of the Scheme

- 41.1 Each Scheme Unit Holder and the RE must do all things and execute all deeds, instruments, transfers or other documents as the RE considers are necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it.
- 41.2 Without limiting the RE's other powers under this clause 41, the RE has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Deed.
- 41.3 Subject to the Corporations Act, the RE, Consortium Acquirer, the Guarantors, or any of their respective directors, officers, employees or associates, may do any act, matter or thing described in or contemplated by this clause 41 even if they have an interest (financial or otherwise) in the outcome.
- 41.4 This clause 41:
- (a) binds the RE and all of the Unit Holders (including those who do not attend the Scheme Meeting, those who do not vote at the Scheme Meeting and those who vote against the Scheme Resolutions); and
 - (b) to the extent of any inconsistency, overrides the other provisions of this Constitution (but, for the avoidance of doubt, remains subject to the Corporations Act and the Listing Rules).

Entitlement to Scheme Consideration

- 41.5 The Scheme Consideration in respect of each ALE Scheme Security is either:
- (a) Mixed Consideration;
 - (b) Maximum Cash Consideration; or
 - (c) Maximum Scrip Consideration.
- 41.6 Each
- (a) Scheme Unit Holder (other than an Ineligible Foreign Unit Holder) is entitled to receive one of Mixed Consideration, Maximum Cash Consideration or Maximum Scrip Consideration in respect of each ALE Scheme Security held by that Scheme Unit Holder; and
 - (b) each Scheme Unit Holder that is an Ineligible Foreign Unit Holder is entitled to receive the Mixed Consideration in respect of each ALE Scheme Security held by that Scheme Unit Holder (in the manner contemplated in clauses 41.29 to 41.30), subject to the terms of the Scheme.

Election

- 41.7 Each Scheme Unit Holder (other than an Ineligible Foreign Unit Holder) may elect (by completing the relevant part of the Election Form) to receive either Mixed Consideration, Maximum Cash Consideration or Maximum Scrip Consideration for all of their Scheme

- Units (**Election**), such Election being subject to the terms of this clause 41, including without limitation clauses 41.27 to 41.30. Valid Elections will take effect in accordance with this clause 41.
- 41.8 Subject to clause 41.13, for an Election to be valid:
- (a) the Scheme Unit Holder must complete and sign the Election Form in accordance with the instructions in the Scheme Booklet and on the Election Form; and
 - (b) the Election Form must be received by the Registry before the Election Time at the address specified by the RE in the Scheme Booklet and on the Election Form.
- 41.9 An Election made by a Scheme Unit Holder, whether valid or not, will be irrevocable unless the RE and Consortium Acquirer in their discretion agree to the revocation of the Election (such discretion to be exercised fairly and equitably having regard to the circumstances at the time).
- 41.10 If:
- (a) a valid Election is not made by a Scheme Unit Holder; or
 - (b) no Election is made by a Scheme Unit Holder,
- then that Scheme Unit Holder will be deemed to have elected to receive Mixed Consideration in respect of all of their Scheme Units.
- 41.11 Subject to clause 41.13, an Election made or deemed to be made by a Scheme Unit Holder will be deemed to apply in respect of the Scheme Unit Holder's entire registered holding of Scheme Units at the Record Date, regardless of whether the Scheme Unit Holder's holding of Scheme Units at the Record Date is greater or less than the Scheme Unit Holder's holding at the time it made its Election.
- 41.12 Subject to clause 41.13, if a valid Election is made by a Scheme Unit Holder in respect of only some of its Scheme Units, and makes no Election or an invalid Election in respect of the remainder of its Scheme Units, the Scheme Unit Holder will be deemed to have elected to receive its elected form of Scheme Consideration in respect of all of its Scheme Units and not only those Scheme Units for which the Scheme Unit Holder made a valid Election.
- 41.13 A Scheme Unit Holder who is noted on the Register as holding one or more parcels of Scheme Units as trustee or nominee for, or otherwise on account of, another person, may in the manner considered appropriate by the RE and Consortium Acquirer (acting reasonably including after consultation with the Registry), make separate Elections in relation to each of those parcels of Scheme Units (subject to it providing to the RE and Consortium Acquirer any substantiating information they reasonably require), and an Election made in respect of any such parcel, or an omission to make an Election in respect of any such parcel, will not be taken to extend to the other parcels.
- 41.14 Subject to clause 41.15 and 41.16, an Election Form will not be valid unless it is completed and received in accordance with the procedures set out in clause 41.8.
- 41.15 The RE 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 RE is not required to communicate with any Scheme Unit Holder prior to making this determination. The determination of the RE will be final and binding on the Scheme Unit Holder.
- 41.16 Notwithstanding clause 41.8, the RE may, in its sole discretion, after reasonable consultation with the Consortium Acquirer, at any time and without further communication to the Scheme Unit Holder, deem any Election Form it receives from a Scheme Unit

Holder to be a valid Election in respect of the relevant Scheme Units, even if a requirement for a valid Election has not been complied with.

Mixed Consideration

41.17 If a Scheme Unit Holder elects or is deemed to have elected to receive Mixed Consideration then, subject to clauses 41.28 to 41.30, the Scheme Unit Holder will be entitled to receive for each ALE Scheme Security held by that Scheme Unit Holder at the Record Date:

- (a) a cash amount equal to \$3.67320244469014, less the Permitted Distribution Amount (if any); and
- (b) 0.408039354484537 CLW Securities.

Maximum Cash Consideration

41.18 If a Scheme Unit Holder elects to receive Maximum Cash Consideration, subject to clause 41.28, the Scheme Unit Holder will be entitled to receive for each ALE Scheme Security held by that Scheme Unit Holder at the Record Date:

- (a) if the Available Cash Consideration is equal to or greater than the Total Cash Election Amount, \$5.68075606875406; and
- (b) if the Available Cash Consideration is less than the Total Cash Election Amount:
 - (i) a cash amount equal to:

$$\$n = \frac{(A - AC)}{(T - AC)} \times 5.68075606875406$$

and

- (ii) a number of issued CLW Securities equal to:

$$nCLW = \frac{(5.68075606875406 - \$n)}{4.92}$$

where:

A = the Available Cash Consideration;

AC = the aggregate cash component of Scheme Consideration payable to all Scheme Unit Holders who have elected or are deemed to have elected to receive Mixed Consideration;

T = the Total Cash Election Amount;

\$n = an amount in Australian dollars to which the relevant Scheme Unit Holder is entitled; and

nCLW = the number of CLW Securities to which the relevant Scheme Unit Holder is entitled,

in each case, less the Permitted Distribution Amount (if any).

41.19 A reduction in the Maximum Cash Consideration required in respect of the Permitted Distribution Amount will be effected:

- (a) as a reduction in respect of the cash component of the Maximum Cash Consideration; and
- (b) to the extent that the Permitted Distribution Amount exceeds the cash component of the Maximum Cash Consideration or there is no cash component, as a reduction in the number of CLW Securities to be issued in accordance with the ratio: 1 cent distributed is equal to 0.00203252032520 CLW Securities.

Maximum Scrip Consideration

41.20 If a Scheme Unit Holder elects to receive Maximum Scrip Consideration then, subject to clauses 41.28 to 41.30, the Scheme Unit Holder will be entitled to receive for each ALE Scheme Security held by that Scheme Unit Holder at the Record Date:

- (a) if the Available Scrip Consideration is equal to or greater than the Total Scrip Election Amount, 1.15462521722643 CLW Securities; and
- (b) if the Available Scrip Consideration is less than the Total Scrip Election Amount:
 - (i) a number of CLW Securities equal to:

$$nCLW = \frac{(A - AS)}{(T - AS)} \times 1.15462521722643$$

and

- (ii) a cash amount equal to:

$$\$n = (1.15462521722643 - nCLW) \times 4.92$$

where:

nCLW = the number of CLW Securities to which the relevant Scheme Unit Holder is entitled;

\$n = an amount in Australian dollars to which the relevant Scheme Unit Holder is entitled;

A = the Available Scrip Consideration;

T = the Total Scrip Election Amount; and

AS = the aggregate number of CLW Securities that are the subject of Elections by all Scheme Unit Holders who have elected or are deemed to have elected to receive Mixed Consideration,

in each case, less the Permitted Distribution Amount (if any).

41.21 A reduction in the Maximum Scrip Consideration required in respect of the Permitted Distribution Amount will be effected as a reduction in the number of CLW Securities to be issued in accordance with the ratio: 1 cent distributed is equal to 0.00203252032520 CLW Securities.

Deposit of Scheme Consideration

41.22 Consortium Acquirer must, by no later than the Business Day before the Implementation Date:

- (a) deposit (or procure the deposit) in cleared funds into the Trust Account an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to Scheme Unit Holders provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Consortium Acquirer's account; and

- (b) provide written confirmation to the RE of that deposit.

Payment of cash component of Scheme Unit Holders

- 41.23 On the Implementation Date, subject to Consortium Acquirer having satisfied its obligations in clause 41.22, the RE must pay or procure the payment, from the Trust Account, to each Scheme Unit Holder such amount of cash from the cash component of the Scheme Consideration as that Scheme Unit Holder is entitled under this clause 41 (if any).
- 41.24 The obligations of the RE under clause 41.23 will be satisfied by the RE (in its absolute discretion and despite any election referred to in (a) below or any authority referred to in (b) below):
- (a) where a Scheme Unit Holder has, before the Record Date, made a valid election in accordance with the requirements of the Registry to receive dividend payments from the RE by electronic funds transfer to a bank account nominated by the Scheme Unit Holder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (b) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Unit Holder by an appropriate authority from the Scheme Unit Holder to the RE; or
 - (c) otherwise, dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Unit Holder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Unit Holder (or in the case of joint holders, in accordance with the procedures set out in clause 41.27).
- 41.25 If, following satisfaction of Consortium Acquirer's obligations under clause 41.22 but prior to the occurrence of all of the events described in clause 2.1 of the Company Scheme (as defined in the Scheme Implementation Deed), the Scheme lapses under clause 41.64:
- (a) the RE must immediately repay (or cause to be repaid) to or at the direction of Consortium Acquirer the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges);
 - (b) the obligation to transfer Scheme Units, together with all rights and entitlements attaching to the Scheme Units as at the Implementation Date, to Consortium Acquirer under clause 41.47 will immediately cease;
 - (c) Consortium Acquirer must return the Scheme Transfers, if provided pursuant to clause 41.47(b); and
 - (d) the RE is no longer obliged to enter, or procure the entry of, the name of Consortium Acquirer in the Register in accordance with clauses 41.49 to 41.54.

Provision of scrip component of Scheme Consideration in the form of CLW Securities

- 41.26 The Consortium Acquirer must, subject to clauses 41.27 to 41.39:
- (a) procure that on the Implementation Date:
 - (i) CLW issues the CLW Securities to each Scheme Unit Holder who is entitled under this clause 41 (if any) to receive the Maximum Scrip Consideration and Mixed Consideration in respect of that Scheme Unit Holder's ALE Scheme Securities; and

- (ii) the name and address of each such Scheme Unit Holder is entered in the CLW Registry as the holder of the CLW Securities issued to that Scheme Unit Holder on the Implementation Date;
- (b) procure that on or before the date that is two Business Days after the Implementation Date, a holding statement (or equivalent document) is sent to the Registered Address of each Scheme Unit Holder to whom CLW Securities are provided in accordance with (a) above representing the number of CLW Securities provided to that Scheme Unit Holder pursuant to this Scheme; and
- (c) ensure that the CLW Securities issued, at the time they are issued:
 - (i) have the rights set out in the CLW Trust Deeds;
 - (ii) rank equally in all respects among themselves and with all other CLW Securities on issue in CLW; and
 - (iii) are fully paid and free from any mortgage, charge, lien, encumbrance or other security interest, or any third party right.

Joint holders

41.27 In the case of Scheme Units held in joint names:

- (a) subject to clause 41.24, any amount comprising the cash component of the Scheme Consideration payable in respect of those Scheme Units (including any amount payable under clauses 41.31 to 41.39) is payable to the joint holders and any cheque required to be sent under the Scheme will be made payable to the joint holders and sent to either, at the sole discretion of the RE, the holder whose name appears first in the Register as at the Record Date or to the joint holders;
- (b) any CLW Securities to be provided under the Scheme must be provided to and registered in the names of the joint holders; and
- (c) any other document required to be sent under the Scheme, will be forwarded to either, at the sole discretion of the RE, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

Fractions and splitting

41.28 Where the number of Units held by a Scheme Unit Holder as at the Record Date is such that the aggregate entitlement of the Scheme Unit Holder to the Scheme Consideration (including under clauses 41.31 to 41.39):

- (a) includes a fractional entitlement to a CLW Security; and/or
- (b) includes a fractional entitlement to a cent,

then the entitlement of that Scheme Unit Holder must be rounded up or down to the nearest whole number, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of CLW Securities or cents (as applicable), and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of CLW Securities or cents (as applicable).

Ineligible Foreign Unit Holders

41.29 Each Ineligible Foreign Unit Holder is deemed to make a valid Election to receive Mixed Consideration.

41.30 The Consortium Acquirer will be under no obligation to issue or cause to be issued, and must not issue, any CLW Securities under this Scheme to any Ineligible Foreign Unit

Holder. Accordingly, all CLW Securities that, but for clauses 41.29 and 41.30, would have been required to be issued to Ineligible Foreign Unit Holders are to be dealt with on behalf of Ineligible Foreign Unit Holders in accordance with clauses 41.31 to 41.39.

Sale Facility

- 41.31 CLW Securities to which an Ineligible Foreign Unit Holder would have been entitled but for clauses 41.29 and 41.30 must not be issued to the relevant Ineligible Foreign Unit Holder and, instead, must be provided to the Sale Agent by the Consortium Acquirer, or caused to be provided to the Sale Agent by the Consortium Acquirer, on the Implementation Date (together, the **Sale Securities**) and subsequently sold in accordance with these clauses 41.31 to 41.39.
- 41.32 The Sale Facility will only be available in respect of CLW Securities provided to the Sale Agent in the circumstances referred to in clause 41.31. Any purported Election by a Scheme Unit Holder to participate in the Sale Facility in any other circumstance will be invalid and not recognised.
- 41.33 The RE and the Consortium Acquirer must procure that as soon as practicable after the Implementation Date and, in any event, not more than 10 Business Days after the Implementation Date, the Sale Agent sells or procures the sale of all of the Sale Securities in the ordinary course of trading on ASX in such manner, at such price or prices and on such other terms as the Sale Agent determines in good faith, and remits to the RE the proceeds of the sale (**Gross Proceeds**).
- 41.34 Promptly after receiving the Gross Proceeds, and in any event, not more than 10 Business Days after receiving them, the RE must pay, or procure the payment, to each Ineligible Foreign Unit Holder (in accordance with these clauses 41.31 to 41.38) an amount equal to the following:

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

Where:

A = the amount to be paid to each Ineligible Foreign Unit Holder in accordance with this clause 41.31 to 41.38;

B = the Gross Proceeds (less any applicable brokerage, taxes and other costs and charges);

C = the total number of CLW Securities provided to the Sale Agent under clause 41.31; and

D = the number of CLW Securities provided to the Sale Agent under clause 41.31 in respect of that Ineligible Foreign Unit Holder.

- 41.35 The RE, CLW and the Sale Agent do not give any assurance as to the price that will be achieved in respect of the sale of CLW Securities in accordance with these clauses 41.31 to 41.39, and that the sale of CLW Securities under clauses 41.31 to 41.39 will be at the risk of the Ineligible Foreign Unit Holder.
- 41.36 The payment obligation of the RE under clause 41.34 will be satisfied by the RE (in its absolute discretion and despite any election referred to in (a) below or any authority referred to in (b) below):
- (a) where an Ineligible Foreign Unit Holder has, before the Record Date, made a valid election in accordance with the requirements of the ALE Registry to receive dividend payments from the RE by electronic funds transfer to a bank account nominated by the Ineligible Foreign Unit Holder, paying, or procuring the payment

- of, the relevant amount in Australian currency by electronic means in accordance with that election;
- (b) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Ineligible Foreign Unit Holder by an appropriate authority from the Ineligible Foreign Unit Holder to the RE; or
 - (c) otherwise, dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Unit Holder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Ineligible Foreign Unit Holder (or in the case of joint holders, in accordance with the procedures set out in clause 41.27).
- 41.37 If the RE 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 Unit Holder, the RE is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Unit Holder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of the Scheme). The RE 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 Unit Holder, 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 Unit Holder.
- 41.38 Payment of an amount to an Ineligible Foreign Unit Holder in accordance with these clauses 41.31 to 41.39 will be in full satisfaction of the obligations of the RE to the Ineligible Foreign Unit Holder under the Scheme in respect of the scrip component of that Ineligible Foreign Unit Holder's Scheme Consideration.
- 41.39 Each Ineligible Foreign Unit Holder appoints the RE as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Unit Holders under the Corporations Act or any other applicable law.

Cancellation and re-issue of cheques

- 41.40 The RE may cancel a cheque issued under this clause 41 if the cheque:
- (a) is returned to the RE or the Registry; or
 - (b) has not been presented for payment within 6 months after the date on which the cheque was sent.
- 41.41 During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Unit Holder to the RE or the Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), the RE must reissue a cheque that was previously cancelled under clause 41.40.

Unclaimed monies

- 41.42 The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- 41.43 Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Consortium Acquirer.

Remaining monies (if any) in Trust Account

41.44 To the extent that, following satisfaction of the RE's obligations under this clause 41 and provided Consortium Acquirer has by that time acquired the Scheme Units in accordance with the Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of the Scheme, the Deed Poll and the Scheme Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by the RE (or the Registry on the RE's behalf) to Consortium Acquirer.

Orders of a court or Government Agency

41.45 If written notice is given to the RE (or the Registry), the Consortium Acquirer or CLW (or the CLW Registry) of an order or direction made by a court or 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 Units held by a particular Scheme Unit Holder, which would otherwise be payable or required to be issued to that Scheme Unit Holder by the RE in accordance with this clause 41, then the RE shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents the RE from providing consideration to any particular Scheme Unit Holder in accordance with this clause 41, or the payment or issuance of such consideration is otherwise prohibited by applicable law, the RE shall be entitled to (as applicable):
 - (i) retain an amount equal to the number of Scheme Units held by that Scheme Unit Holder multiplied by the Scheme Consideration; or
 - (ii) direct CLW not to issue, or to issue to a trustee or nominee, such number of CLW Securities as that Scheme Unit Holder would otherwise be entitled to under clause 41,

until such time as payment in accordance with this clause 41 is permitted by that (or another) court or direction or otherwise by law.

41.46 To the extent that amounts are so deducted or withheld in accordance with clause 41.45, such deducted or withheld amounts will be treated for all purposes under this Scheme as having been paid to the person in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted as required.

Transfer of Scheme Units to Consortium Acquirer

41.47 On the Implementation Date, subject to Consortium Acquirer having provided the Scheme Consideration in the manner contemplated by the Scheme Implementation Deed and this clause 41, together with all rights and entitlements attaching to the Scheme Units as at the Implementation Date, will be transferred to Consortium Acquirer, without the need for any further act by any Scheme Unit Holder (other than acts performed by the RE (or any of its directors and officers appointed as sub-attorneys and/or agents of the RE) as attorney and/or agent for Scheme Unit Holders under the Scheme), by:

- (a) the RE delivering to Consortium Acquirer for execution duly completed and, if necessary, stamped Scheme Transfers to transfer all of the Scheme Units to Consortium Acquirer, duly executed by the RE (or any of its directors and officers appointed as sub-attorneys and/or agents of the RE) as the attorney and/or agent of each Scheme Unit Holder as transferor under clause 41.56;

- (b) Consortium Acquirer immediately executing the Scheme Transfers as transferee and deliver them to the RE for registration; and
- (c) the RE, immediately after receipt of the Scheme Transfers under paragraph (b), entering, or procuring the entry of, the name and address of Consortium Acquirer in the Register as the holder of all of the Scheme Units.

41.48 The transfer of all of the Scheme Units to Consortium Acquirer in accordance with clause 41.47 must occur simultaneously with the transfer to Consortium Acquirer of all of the Responsible Entity Scheme Shares under the Responsible Entity Scheme and the RE must simultaneously with the actions contemplated under clause 41.47, enter, or procure the entry of, the name and address of CHH in the ALE Register as the holder of all of the Responsible Entity Scheme Shares.

Dealings in Units

- 41.49 For the purpose of establishing the persons who are Scheme Unit Holders and determining entitlements to the Scheme Consideration, dealings in Units 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 Register as the holder of the relevant Units by the Record Date; and
 - (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Registry by 5:00pm on the day which is the Record Date at the place where the Register is located (in which case the RE must register such transfer or transmission application before 7:00pm on that day),

and the RE will not accept for registration, nor recognise for any purpose (including the purpose of establishing the persons who are Scheme Unit Holders) other than to transfer to Consortium Acquirer pursuant to this clause 41 and any subsequent transfers by Consortium Acquirer or its successors in title, any transfer or transmission application in respect of Units received after the Record Date, or received prior the Record Date but not in actionable or registrable form (as appropriate).

- 41.50 The RE will, until the Scheme Consideration has been provided and the name and address of Consortium Acquirer have been entered in the Register as the holder of all of the Scheme Units, maintain, or procure the maintenance of, the Register in accordance with clauses 41.49 to 41.54. The Register immediately after registration of registrable transfers or transmission applications of the kind referred to in clause 41.49(b) will solely determine the persons who are Scheme Unit Holders and their entitlements to the Scheme Consideration. As from the Record Date (and other than for Consortium Acquirer following the Implementation Date), each entry in the Register as at the Record Date relating to Scheme Units will cease to have any effect other than as evidence of the entitlements of Scheme Unit Holders to the Scheme Consideration in respect of the Scheme Units.
- 41.51 As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, the RE will ensure that details of the names, Registered Addresses and holdings of Scheme Units for each Scheme Unit Holder as shown in the Register are available to Consortium Acquirer in the form Consortium Acquirer reasonably requires.
- 41.52 Other than Consortium Acquirer and its successors in title (after registration of Consortium Acquirer in respect of all Scheme Units under clause 41.47(c)), no Scheme

Unit Holder (or any person purporting to claim through them) may deal with Scheme Units in any way after 5.00 pm on the Record Date except as set out in clauses 41.49 to 41.54, and any attempt to do so will have no effect.

- 41.53 Other than in respect of Consortium Acquirer (after registration of Consortium Acquirer in respect of all Scheme Units under clause 41.47(c)), from the Record Date, all certificates and holding statements (as applicable) for Scheme Units as at the Record Date will cease to have any effect as evidence of title, and each entry on the Register as at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Unit Holders to the Scheme Consideration.
- 41.54 If the Scheme becomes Effective, each Scheme Unit Holder, and any person claiming through that Scheme Unit Holder, must not dispose of or purport or agree to dispose of any Scheme Units or any interest in them, after 5.00pm on the Record Date other than to Consortium Acquirer in accordance with the Scheme and any subsequent transfers by Consortium Acquirer and its successors in title.

Covenants by Unit Holders

41.55 Each Scheme Unit Holder:

- (a) acknowledges that this clause 41 binds the RE and all of the Unit Holders from time to time (including those who do not attend the Scheme Meeting, do not vote at the Scheme Meeting or vote against the Scheme Resolutions);
- (b) irrevocably agrees to the transfer of their Scheme Units, together with all rights and entitlements attaching to those Scheme Units, to Consortium Acquirer in accordance with the terms of the Scheme, without the need for any further act by that Scheme Unit Holder;
- (c) agrees to the modification or variation (if any) of the rights attaching to their Scheme Units arising from this clause 41, without the need for any further act by that Scheme Unit Holder;
- (d) who receives CLW Securities as part of the Scheme Consideration, agrees:
 - (i) to become a securityholder of CLW and be bound by the terms of the CLW Trust Deeds; and
 - (ii) to have their name registered in the register on which CLW Securities are recorded as a holder of CLW Securities (in respect of the CLW Securities which they are issued pursuant to the Scheme);
- (e) irrevocably consents to the RE and Consortium Acquirer doing all things and executing all deeds, instruments, transfers or other documents (including the Scheme Transfers) as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it, without the need for any further act by that Scheme Unit Holder; and
- (f) agrees to provide to the RE such information as the RE may reasonably require to comply with any law in respect of the Scheme and the transactions contemplated in this clause 41, including information required to meet obligations under the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth).

Appointment of the RE as attorney and as agent for implementation of Scheme

41.56 Each Scheme Unit Holder, without the need for any further act by that Unit Holder, irrevocably appoints the RE as that Unit Holder's attorney and as that Unit Holder's agent for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it, including effecting a valid transfer or transfers of the Scheme Units to Consortium Acquirer under clause 41.47, including executing and delivering any Scheme Transfers; and
- (b) enforcing the Deed Poll against Consortium Acquirer,

and the RE accepts such appointment. The RE, as attorney and as agent of each Unit Holder, may sub-delegate its functions, authorities or powers under this clause 41.56 to all or any of its directors and officers (jointly, severally, or jointly and severally). Each Unit Holder indemnifies the RE and each of its directors and officers against all losses, liabilities, charges, costs and expenses arising from the exercise of powers under this clause 41.56.

Appointment of Consortium Acquirer as attorney and as agent for Scheme Units

41.57 From the time that Consortium Acquirer has satisfied its obligations in clauses 41.22 and 41.26(a) until Consortium Acquirer is registered in the Register as the holder of all Scheme Units, each Scheme Unit Holder:

- (a) without the need for any further act by that Scheme Unit Holder, irrevocably appoints the RE as its attorney and as its agent (and directs the RE in such capacity) to irrevocably appoint Consortium Acquirer as its sole proxy and, where applicable, corporate representative, for the purpose of:
 - (i) attending Unit Holder meetings;
 - (ii) exercising the votes attaching to the Units registered in the name of the Unit Holder in the Register; and
 - (iii) signing any Unit Holders' resolution;
- (b) must take all other action in the capacity of a Unit Holder for the purposes of facilitating the Scheme as Consortium Acquirer reasonably directs; and
- (c) acknowledges and agrees that in exercising the powers referred to in article 41.57(a), Consortium Acquirer and any person nominated by Consortium Acquirer under clause 41.57(a) may act in the best interests of Consortium Acquirer as the intended registered holder of the Scheme Units.

41.58 From the time that Consortium Acquirer has satisfied its obligations in clauses 41.22 and 41.26(a) until Consortium Acquirer is registered in the Register as the holder of all Scheme Units, no Unit Holder may attend or vote at any meetings of Unit Holders or sign any Unit Holders' resolution (whether in person, by proxy or by corporate representative) other than under clause 41.57.

Status of Scheme Units

41.59 To the extent permitted by law, the Scheme Units transferred to Consortium Acquirer under clause 41.47 will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.

- 41.60 Each Scheme Unit Holder is deemed to have warranted to Consortium Acquirer, and, to the extent enforceable, to have appointed and authorised the RE as that Scheme Unit Holder's agent and attorney to warrant to Consortium Acquirer, that all of their Scheme Units (including any rights and entitlements attaching to those Scheme Units) will, at the time of the transfer of them to Consortium Acquirer pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Units (together with any rights and entitlements attaching to those Scheme Units) to Consortium Acquirer pursuant to the Scheme, and as at the Record Date, they have no existing right to be issued any other Units or any other form of securities in the Trust. The RE undertakes in favour of each Scheme Unit Holder that it will provide such warranty, to the extent enforceable, to Consortium Acquirer on behalf of that Scheme Unit Holder.
- 41.61 Consortium Acquirer will be beneficially entitled to the Scheme Units transferred to it under clause 41.47 pending registration by the RE of the name and Registered Address of Consortium Acquirer in the Register as the holder of the Scheme Units.

Suspension and termination of quotation of Units

- 41.62 The RE must apply to ASX for suspension of trading of the ALE Securities on ASX with effect from the close of business on the Effective Date.
- 41.63 The RE must apply to ASX for termination of official quotation of the ALE Securities on ASX and the removal of the Trust from the official list of the ASX with effect from the Business Day immediately following the Implementation Date, or from such later date as may be determined by Consortium Acquirer.

Lapsing

- 41.64 Clause 41 will lapse and have no further force or effect if:
- (a) the Effective Date does not occur on or before the End Date; or
 - (b) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms,
- unless the RE and Consortium Acquirer otherwise agree in writing

Notices

- 41.65 Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to the RE, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at the Trust's registered office or by the Registry, as the case may be. The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Unit Holder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

Costs and stamp duty

- 41.66 Subject to clause 41.67, each of Consortium Acquirer and the RE will pay their share of the costs of the Scheme in accordance with the Scheme Implementation Deed. The RE may pay or be reimbursed for such costs out of the Assets.

41.67 Consortium Acquirer will pay all duty (including stamp duty and any related fines, penalties and interest) payable on or in connection with the transfer by Scheme Unit Holders of the Scheme Units to Consortium Acquirer pursuant to the Scheme.

Limitation of liability

41.68 Without limiting clause 21 but subject to the Corporations Act, the RE will not have any liability of any nature whatsoever to Unit Holders, beyond the extent to which the RE is actually indemnified out of the Assets, arising, directly or indirectly, from the RE doing or refraining from doing any act (including the execution of a document), matter or thing pursuant to or in connection with the implementation of the Scheme.

Corporate Directory

Registered office and principal place of business	ALE Property Group 28:02 Australia Square Tower Level 28, 264-278 George Street Sydney NSW 2000
Legal adviser	Allens Deutsche Bank Place Corner Hunter and Philip Streets Sydney NSW 2000
Financial advisers	Macquarie Capital Level 4, 50 Martin Place Sydney NSW 2000 E&P Corporate Advisory Level 32, 1 O'Connell Street Sydney NSW 2000
Independent Expert	Kroll Level 32, 85 Castlereagh Street Sydney NSW 2000
ALE Registry	Link Market Services Level 12, 680 George Street Sydney NSW 2000 Investor Enquiries: +61 1300 554 474
Stock exchange listing	ALE Securities are listed on the Australian Securities Exchange (ASX Code: LEP)
Company Website	www.alegroup.com.au
Investor Website	www.alegroup.com.au/Investor-Centre



Virtual Meeting Online Guide

Before you begin

Ensure your browser is compatible. Check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

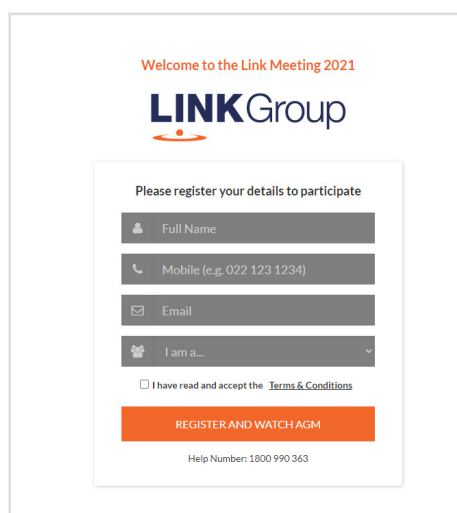
- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up
- Microsoft Edge - 92.0 and after

To attend and vote you must have your securityholder number and postcode.

Appointed Proxy: Your proxy number will be provided by Link before the meeting.

Please make sure you have this information before proceeding.

Virtual Meeting Online Guide



Step 1

To access the ALE 2021 AGM which will begin at 10:00am Thursday, 2 December 2021

Open your web browser and go to <https://meetings.linkgroup.com/LEP21>

To access the ALE Scheme Meetings which will begin at 11:00am Thursday, 2 December 2021 or after the ALE 2021 AGM, whichever occurs later

Open your web browser and go to <https://meetings.linkgroup.com/LEPSM>
You will need to re-register for this meeting by applying the same steps as outlined below.

If you have registered for the ALE 2021 AGM, you will need to re-register for the ALE Scheme Meeting by applying the same steps outlined below

Step 2

Log in to the portal using your full name, mobile number, email address, and participant type.

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

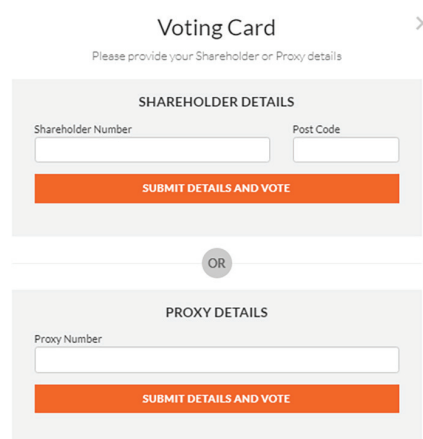
You will see:

- On the left – a live audio webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.



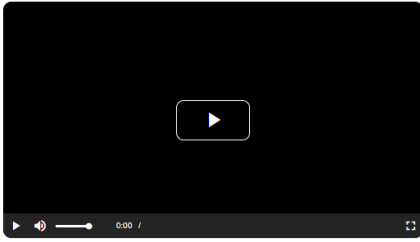
This will bring up a box which looks like this.

If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

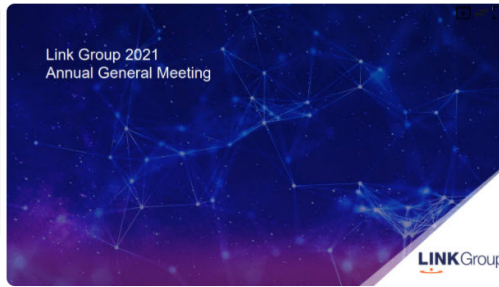
If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.



The presentation will begin at XX:XX am/pm ZONE



+
Get a Voting Card

?
Ask a Question

Downloads

- Speakers Bio
- Sustainability Report
- Notice of meeting
- Online Guide

ABC COMPANY PTY LTD X123456789

Voting Card

Please complete your vote by selecting the required voting instruction (For, Against or Abstain) for each resolution. If you would like complete a partial vote, please specify the number of votes for each resolution in the Partial Vote section. Proxy holder votes will only be applied to discretionary (undirected) votes. Directed votes will be applied as per the Unitholder's voting instructions.

Full Vote Partial Vote

Resolution 2B	<input checked="" type="radio"/> For	<input type="radio"/> Against	<input type="radio"/> Abstain
RE-ELECTION OF MR. ABC AS A DIRECTOR			
Resolution 2C	<input checked="" type="radio"/> For	<input type="radio"/> Against	<input type="radio"/> Abstain
RE-ELECTION OF MS XYZ AS A DIRECTOR			
Resolution 3	<input checked="" type="radio"/> For	<input type="radio"/> Against	<input type="radio"/> Abstain
INCREASE TO DIRECTORS' MAXIMUM FEE POOL LIMIT			
Resolution 4	<input checked="" type="radio"/> For	<input type="radio"/> Against	<input type="radio"/> Abstain
ADOPTION OF REMUNERATION REPORT			

SUBMIT VOTE

Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

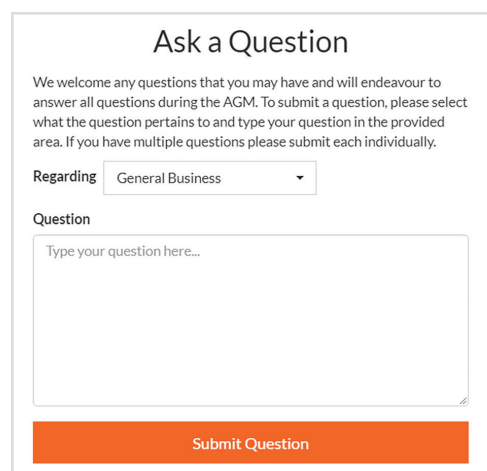
Once voting has been closed all submitted voting cards cannot be changed.

2. How to ask a question

Note: Only securityholders are eligible to ask questions.

If you have yet to obtain a voting card, you will be prompted to enter your securityholder number or proxy details before you can ask a question. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The 'Ask a Question' box will then pop up with two sections for completion.



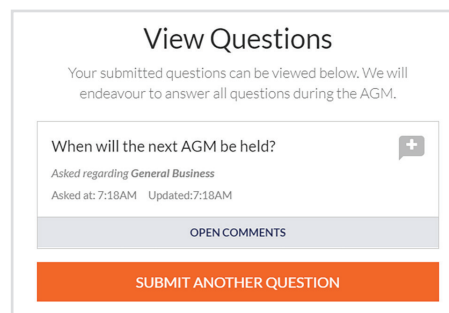
In the 'Regarding' section click on the drop down arrow and select the category/resolution for your question.

Click in the 'Question' section and type your question and click on 'Submit'.

A 'View Questions' box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.



3. Downloads

View relevant documentation in the Downloads section.

4. Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

5. Phone Participation

What you will need

- a) Land line or mobile phone
- b) The name and securityholder number of your holding/s
- c) To obtain your unique PIN, please contact Link Market Services on +61 1800 990 363 by 5:00pm on 17 November 2021.

Joining the Meeting via Phone

Step 1

To access the ALE 2021 AGM which will begin at 10:00am Thursday, 2 December 2020

From your land line or mobile device,
call: 1800 719 641 or +61 2 9189 2031

To access the ALE Scheme Meetings which will begin at 11:00am Thursday, 2 December 2021 or after the ALE 2021 AGM, whichever occurs later

From your land line or mobile device,
call: 1800 719 665 or +61 2 9189 2032

Step 2

You will be greeted with a welcome message and provided with instructions on how to participate in the Meeting. Please listen to the instructions carefully.

At the end of the welcome message you will be asked to provide your PIN by the moderator. This will verify you as a securityholder and allow you to ask a question on the resolutions at the Meeting.

Step 3

Once the moderator has verified your details you will be placed into a waiting room where you will hear music playing.

Note: If your holding cannot be verified by the moderator, you will attend the Meeting as a visitor and will not be able to ask a question.

Step 4

At the commencement of the Meeting, you will be admitted to the Meeting where you will be able to listen to proceedings.

Asking a Question

Step 1

When the Chairman calls for questions on each resolution, you will be asked to **press *1** on your keypad should you wish to raise your hand to ask a question.

Step 2

Please advise if your question relates to an item of business or General Business. The moderator will make a note and ask if you have any additional questions.

Step 3

When it is time to ask your question, the moderator will introduce you to the meeting, your line will be unmuted and you can then start speaking.

Note: If at any time you no longer wish to ask your question, you can lower your hand by **pressing *2** on your key pad. If you have also joined the Meeting Online, we ask that you mute your laptop, desktop, tablet or mobile device while you ask your question.

Step 4

Your line will be muted once your question has been answered.